



P.O. Box 7005 Quincy, IL
217-223-8400
www.blessinghealthsystem.org

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February 13, 2019

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By Hand Delivery

Mike Constantino, Lead Project Reviewer
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

**Re: Substantial Non-Compliance with the Review Board Criteria of
Project #18-042, Quincy Medical Group Surgery Center, Quincy**

Dear Mr. Constantino,

On behalf of Blessing Hospital, I submit the enclosed statement demonstrating that the substantial non-compliance with Review Board Criteria of Project#18-042, Quincy Medical Group ("QMG") Surgery Center. The Illinois Health Facilities Planning Act requires that a project to establish a new health care facility must be "in accord with the standards, criteria, or plans of need adopted and approved by the Board." 20 ILCS 3960/5. As shown in the enclosed statement, the applicant's project is out of compliance with over 20 of the Review Board's criteria. Project #18-042 is not in accordance with criteria adopted by the Board, and should therefore be denied.

I personally have substantial experience and familiarity with the CON process and Review Board criteria. I have worked with the CON process in the State of Illinois for the last 40 years, representing Blessing Hospital. My history goes back to the days of the local Health Systems Agencies ("HSAs") where we worked hard at regional planning. I have presented before the Review Board on numerous occasions based on the health care needs of the Quincy Area Community. This is the first time Blessing Hospital is presenting in opposition to a project, and our position on this project was undertaken only after much deliberation. Blessing Hospital is a not-for-profit health care organization represented by a community Board of Trustees. The Trustees do not believe this project is in the best interest of the community.

The applicant proposes to establish an outpatient center offering ambulatory surgery with cardiac catheterization and CT scanning at the 3347 Broadway in Quincy just three miles from the current ASTC and take *all* of the ASTC's current patient *plus* an additional 2,500 cases from Blessing Hospital. I am very opposed to this project. I was at Blessing Hospital in the year 2000 when QMG proposed its first CON to establish an ASTC, and Blessing Hospital did not oppose that project. I also appeared before the Review Board in 2006 with a change of ownership when QMG needed cash and sold the ASTC to Blessing Hospital for \$13 million dollars. I am now submitting this opposition letter in response to QMG's desire to now open a second ASTC after having sold their first one to Blessing Hospital.

I submit this statement in opposition and urge the Review Board to deny this project based on lack of need and the impact such a project would have on the community.

Sincerely,

Betty J. Kasparie, Vice President, Corporate Compliance Blessing Corporate Services

cc: Courtney Avery, Administrator, Illinois Health Facilities and Services Review Board

BLESSING HOSPITAL OPPOSITION STATEMENT
To
Project #18-042, Quincy Medical Group Surgery Center

PROJECT SUMMARY

PROJECT DESCRIPTION: The sole applicant, Quincy Medical Group (“QMG”), proposes to establish a multi-specialty ambulatory surgical treatment center (“ASTC”) in Quincy with five operating rooms, three procedure rooms, a cardiac catheterization service, and a CT scanner. The project is 26,850 square feet with a project cost of \$19,519,058. CON Application (“Appl.”) at page 4.

All of the facility’s patient volume will come from Blessing Hospital and the Blessing ASTC which are only three miles from the site of the proposed facility and at which QMG physicians currently perform their surgeries. (Appl. at 106.) Therefore, the project unnecessarily duplicates services currently available at existing the facilities.

QMG previously owned and operated an ASTC in Quincy but sold it to Blessing Hospital in 2006 “in order to raise funds.” (Appl. at 67.) QMG has managed the Blessing ASTC since 2006 pursuant to a management agreement with Blessing Hospital.

PURPOSE OF THE PROJECT: QMG states that it wants a new ASTC because of what QMG describes as management deficiencies at the Blessing ASTC. However, QMG is the manager of the Blessing ASTC and the deficiencies cited in the permit application would, if true, constitute a breach of QMG’s management agreement with Blessing Hospital.

Pursuant to the parties’ management agreement, Blessing Hospital sent QMG a formal Notice to Cure the management deficiencies that QMG identified in its permit application relating to: (a) the scheduling of surgeries; (b) the availability of equipment; (c) care coordination, and; (d) medical records. (*See Attachment 1.*) QMG responded to the Notice to Cure by formally invoking the dispute resolution provisions of the parties’ management agreement and stating that “QMG requests that the parties meet and confer in good faith and enter into good faith negotiations to resolve the concerns” raised in Blessing’s Notice to Cure.

Blessing Hospital has agreed to engage in good faith negotiations with QMG to address the management deficiencies that QMG is relying upon to justify the proposed ASTC. As the parties will be addressing, and QMG presumably remedying, the alleged deficiencies upon QMG’s permit application is based, review of the project should be deferred or suspended while these good faith these negotiations take place. *See Attachment 2.*

Separate from the negotiations the parties will be having regarding QMG’s management obligations, Blessing Hospital has also formally proposed, in writing, an ASTC joint venture with QMG. *See Attachment 3.* QMG had represented on page 68 of its permit application that QMG once proposed a joint venture for an ASTC to Blessing Hospital and that the proposal was rejected. (Appl. at 68.) These statements were not true as QMG never proposed a joint venture. QMG subsequently retracted the statements in a Replacement Page 68 that it submitted on December 3, 2018.

PUBLIC HEARING/COMMENT: A public hearing was held on January 24, 2019 in Quincy. The Public Hearing Report shows that 17 provided testimony in support of the project and 31 persons submitted opposition testimony. As of February 9, 2019, the project file contained 12 letters of support and 157 letters in opposition to the project.

Elected Officials:

- State Representative Randy Frese submitted a letter after the public hearing that noted the divided sentiment over the project. While stating that he remained neutral, Representative Frese requested that “the Review Board very carefully weigh any adverse impact of this project.” Representative Frese also expressed the hope that QMG and Blessing Hospital “could find a way to collaborate now, a joint venture or partnership may be the best for all concerned.” **See Attachment 4.**
- State Senator Jil Tracy initially submitted a letter of support in December 13, 2018. However, after the public hearing, Senator Tracy submitted a follow letter stating that, at the time of the support letter, she “was not aware of opposition” and “Since then, a public hearing was held on January 24, 2019, and much discussion ensued regarding potential benefits and negative impacts.” Senator Tracy expressed support for the Review Board’s process and stated, “[Review Board] members have the expertise to evaluate applications such as this and I do not intend my letters to interject in this process.” **See Attachment 5.**
- Quincy Mayor Kyle Moore submitted a support letter on December 7, 2018, prior to the public hearing. Mayor Moore did not attend the public hearing and has not commented on the project since the public hearing.

SUBSTANTIAL NON-COMPLIANCE WITH REVIEW BOARD CRITERIA:

The project does not comply with numerous Review Board criteria as summarized below and more fully addressed later in this opposition statement:

Criteria	Reasons for Non-Compliance
Criterion 1110.110(a) – Background of the Applicant	<p>By rule, QMG was required to: (1) identify hospitals owned by UnityPoint Health, which has a 40% interest in QMG; (2) provide “no adverse action” letters regarding UnityPoint hospitals, and (3) authorize access by the Review Board to UnityPoint information to allow verification of the representations in the permit application. QMG failed to provide any of this required documentation.</p> <p>QMG has also submitted conflicting information regarding UnityPoint’s ownership interest in the proposed ASTC. The permit application states that UnityPoint will have a 40% interest in the ASTC. QMG has since denied that UnityPoint will have a 40% interest in the ASTC. (See pages 7-8 of this analysis.)</p>
Criterion 1110.110(b) – Purpose of the Project	<p>By rule, the proposed market area must be limited to a 21-mile radius. QMG uses a 50-mile radius and, therefore, 80% of the geographic area to be served is beyond the allowable service area.</p> <p>The rule requires QMG to identify the existing problems to be addressed by the proposed project. QMG identifies mostly management issues at the existing ASTC, but as QMG is the manager of the that facility, all such problems, if they exist, are all of QMG’s own making, and should therefore be corrected by QMG. (See pages 8-10 of this analysis.)</p>
Criterion 1110.110(c) – Safety Net Impact	<p>The rule requires QMG to assess the project’s impact on the ability of another provider to cross-subsidize safety net services. QMG states that the project will not impair Blessing’s ability. However, the 13,283 cases that QMG intends to redirect from Blessing to the proposed ASTC will have a \$41 million <i>annual</i> negative financial impact on Blessing and severely impair its ability to cross subsidize safety net services.</p> <p>The proposed project will also result in at least 400 lost jobs within the Blessing Health System, and many of these workers currently provide safety net services. (See pages 10-11 of this analysis.)</p>

Criterion 1110.110(d) – Alternatives to the Proposed Project	The rule requires consideration of a joint venture with an existing provider to meet the project’s intended purpose, and the utilization of existing facilities. QMG initially claimed that it proposed a joint venture to Blessing which was rejected. (Appl. at 68.) This statement was false, and QMG later retracted it in a Revised page 68, but then failed to address the joint venture requirement of the rule. Blessing has proposed a joint venture to QMG that involves the utilization of existing facilities and promotes both purposes of the Board’s rule on alternatives. (See pages 11-12 of this analysis.)
Criterion 1110.120(a) – Size of Project	<p>The applicant must document that the space proposed is necessary and not excessive. QMG only justifies 19,385 dgsf of clinical space. However, the submitted Lease shows that QMG is leasing almost 70,000 square feet, with 33,356 square feet allocated to the proposed ASTC. The permit application identifies a total square footage of 26,850 square feet. Consequently, there is over 6,500 square feet of space that is unidentified and unaccounted for in the permit application.</p> <p>QMG also failed to provide architectural floor plans that would allow analysis of the project’s square footage. (See pages 12-13 of this analysis.)</p>
Criterion 1110.120(d) – Unfinished or Shell Space	QMG states that this Criterion is “not applicable.” (Appl. at 14.) As addressed above, it appears that the project has at least 6,500 square feet of shell space. The application should have addressed this Criterion. (See page 13 of this analysis.)
Criterion 1110.120(e)(2) – Assurances	QMG failed to provide the required verification that QMG will apply for a CON application when it develops the shell space. (See pages 13-14 of this analysis.)
Criterion 1110.225(a) – Peer Review	The rule requires the applicant to provide a detailed mechanism adequate peer review of a proposed cardiac cath program. The application fails to do this and contains only general statements relating to sample metrics, best practices and various registries without providing a detailed program as required by the rule. (See page 14 of this analysis.)

Criterion 1110.225(e) – Support Services	None of the required cardiac cath support services will be available on-site. The application states that they will be offered at a remote laboratory owned by QMG at a different location. QMG does not provide the hours of operation of this remote laboratory or explain how the each of the required support services will be available when needed, as required by the Criterion. (See page 14 of this analysis.)
Criterion 1110.225(g) – Staffing	The applicant is required to document a fully qualified cardiac cath lab team and provide staffing schedules. QMG failed to identify five of the eight required team members, and failed to provide the required staffing schedules. (See pages 14-15 of this analysis.)
Criterion 1110.225(h) – Continuity of Care	The rule requires QMG to have a written transfer agreement with a facility that has open-heart surgery capabilities. QMG does not have an appropriate agreement. (See pages 15-16 of this analysis.)
Criterion 1110.235(c)(3)(A) – Service Demand: Historical Referrals	The applicant must provide physician referral letters documenting the total number of cases referred to existing facilities during the previous 12-month period. No physician letters are included with the application. (See pages 16-17 of this analysis.)
Criterion 1110.235(c)(3)(B) – Projected Service Demand	By rule, the projected number of patient referrals cannot exceed the physicians' experienced caseload. Pages 71-72 of the permit application show that projected surgery referrals exceed historical referrals, and projected cardiac cath referrals exceed historical referrals. (See page 17 of this analysis.)
Criterion 1110.235(c)(6) – Service Accessibility	The applicant must document that the project is necessary to improve access for area residents. QMG failed to document even one of the five conditions identified by the rule as indicators of restricted access. (See page 17 of this analysis.)
Criterion 1110.235(c)(7)(A) – Unnecessary Duplication/Maldistribution	The applicant must document that the project will not result in maldistribution by creating an excess supply of services. QMG failed to document any of the factors identified by the rule. (See page 18 of this analysis.)

Criterion 1110.235(c)(7)(C) – Impact on Existing Facilities	The applicant must document that it will not lower the utilization of existing facilities. QMG states that, to meet target utilization, it must redirect a combined 13,283 surgical and catheterization cases from the two existing facilities in the area to the proposed project. This would significantly reduce utilization at both facilities. (See pages 18-19 of this analysis.)
Criterion 1110.235(C)(9) – Charge Commitment	The applicant must provide a statement of “all charges” and commit that the charges will not be increased for a period of two years. QMG has only identified a small percentage of charges for services that its physicians are currently performing. QMG has not identified “all charges” and has not made a charge commitment for all charges. (See page 19 of this analysis.)
Criterion 1110.270(b)(2)(B) – Physician Referrals	The applicant must provide signed and notarized physician letters supporting clinical services. QMG failed to provide any physician letters in support of the proposed CT scanner. (See page 19 of this analysis.)
Criterion 1120.120(a) – Availability of Funds: Cash and Securities	No financial statements were provided that would provide evidence of sufficient resources to fund the cash portion of the project. (See pages 19-20 of this analysis.)
Criterion 1120.120(d) – Availability of Funds: Debt	QMG intends to borrow \$4.9 million but has failed to provide term and conditions of the financing as required by the rule. (See page 20 of this analysis.)
Criterion 1120.130(b) – Financial Viability: Viability Ratios	No financial statements were provided as required by the rule. In addition, QMG fails to meet most of the established Viability Ratios. (See page 20 of this analysis.)

**DETAILED ANALYSIS OF NON-COMPLIANCE WITH REVIEW BOARD REGULATIONS
FOR PROJECT #18-042, QUINCY MEDICAL GROUP SURGERY CENTER**

I. Background of the Applicants, Purpose of the Project, Safety Net Impact, Alternatives

A) Criterion 1110.110(a) – Background of the Applicant

To address this criterion the applicants must provide a list of all facilities currently owned in the State of Illinois and an attestation documenting that no adverse actions¹ have been taken against any applicant's facility by either Medicare or Medicaid, or any State or Federal regulatory authority during the 3 years prior to the filing of the Application with the Illinois Health Facilities and Services Review Board or a certified listing of adverse action taken against any applicant's facility; and authorization to the State Board and Agency access to information in order to verify any documentation or information submitted in response to the requirements of the application for permit.

**The Application Fails to Identify UnityPoint's Hospitals
or Include "No Adverse Action" Letters, or Authorize Access to Information**

The permit application states, and QMG now confirms, that the applicant QMG is 40% owned by UnityPoint Health ("UnityPoint"), an Iowa corporation. (Appl. at 40; QMG's "UnityPoint Relationship" letter dated February 7, 2019.) UnityPoint owns and operates numerous hospitals, *including hospitals in Illinois*. (See **Attachment 6**.) However, none of these hospitals are identified in the CON application, nor is there any attestation documenting that no adverse actions have been taken against the hospitals, and neither does the application contain the required approvals authorizing access to UnityPoint Health information for purposes of verifying information included in the permit application.

Under the Review Board's rule on Background of the Applicant, UnityPoint's hospitals were required to be disclosed in the application as were the inclusion of "no adverse action" letters and authorizations to access information. The rule requires that hospitals controlled by a 40% owner of an applicant are deemed to be owned and operated by the applicant. 77 Ill. Adm. Code 1110.110(a)(1). That rule provides the following example of facilities deemed "owned and operated" by the applicant:

"Drs. Faith, Hope and Charity own 40%, 35% and 10%, respectively, of the shares of Healthfair, Inc., a corporation, that is the applicant. Dr. Charity owns 45% and Drs. Well and Care each own 25% of the shares of XYZ Nursing Home, Inc. The applicant, Healthfair, Inc., owns and operates XYZ Nursing Home, Inc."

In the present application, UnityPoint owns a 40% in QMG just as, in the above example, Dr. Faith owned a 40% interest in the applicant Healthfair, Inc. Whereas Dr. Faith held no interest in the other health care facility, UnityPoint owns and controls multiple hospitals, so the case for requiring disclosure of the hospitals, "no adverse

¹ "Adverse action is defined as a disciplinary action taken by IDPH, CMMS, or any other State or federal agency against a person or entity that owns or operates or owns and operates a licensed or Medicare or Medicaid certified healthcare facility in the State of Illinois. These actions include, but are not limited to, all Type "A" and Type "AA" violations." (77 IAC 1130.140)

action” letters, and access to information is even stronger here than in the example provided in the above rule

**QMG Has Provided Conflicting Information
Regarding UnityPoint’s Ownership Interest in the Project**

QMG has made conflicting representations to the Review Board regarding UnityPoint’s ownership interest in the project. The permit application states: “UnityPoint Health will have approximately 40% ownership interest in the Quincy Medical Group Surgery Center.” (Appl. at 38.) QMG has since denied in public that UnityPoint has any ownership interest in surgery center. At the public hearing on January 24, 2019, QMG’s attorney, Ms. Tracey Klein, stated:

“At the outset I want just to correct one misstatement. The project is QMG’s. It is not a joint venture with UnityPoint as has been said repeatedly. That is not true. And it is not true to say that 40% of the profits from this center will be going out of state or to a for-profit entity. It is going to be owned and operated by Quincy Medical Group.”

Public Hearing Transcript at 96-97. *See Attachment 7.* If what Ms. Klein said is true, then the “misstatement” she referred to was the statement certified as true by her client’s CEO in the permit application which states that UnityPoint is a 40% investor in the proposed surgery center. Ms. Klein was aware of this statement in the application and expressly denounced it at the public hearing. When Ms. Klein was confronted at the public hearing by the inconsistent statement in the permit application, she responded:

“I’m Tracey Klein, and I appreciate your correction and graciousness about the, about the UnityPoint thing. It truly -- the way I represented it, **despite what might be in the application**, is actually what it is.”

Public Hearing Transcript at 171. *See Attachment 7.* QMG should have immediately corrected the permit application. QMG did not clarify its relationship with UnityPoint until two weeks after the public hearing. While denying that UnityPoint owns a 40% interest in the proposed ASTC, the letter *admits* that UnityPoint owns a 40% equity interest in the applicant QMG. For this reason, as noted above, disclosure of UnityPoint’s hospitals and “no adverse action” letters for those hospitals were required.

B) Criterion 1110.110(b) – Purpose of the Project

To demonstrate compliance with this criterion the Applicants must document that the project will provide health services that improve the health care or well-being of the market area population to be served. The Applicants shall define the planning area or market area, or other area, per the applicant’s definition. The Applicants shall address the purpose of the project, i.e., identify the issues or problems that the project is proposing to address or solve. Information to be provided shall include, but is not limited to, identification of existing problems or issues that need to be addressed, as applicable and appropriate for the project.

QMG Defines a Market Area That is Over Twice as Large as the Rules Allow

The Review Board’s regulations provide that the market area for Adams County is limited to a 21-mile radius. 77 Ill. Adm. Code 1100.510(d)(3) and 1110.225(c)(2)(B)(i). QMG’s proposed market area is “a 50-mile radius.” (Appl. at 57.) QMG is unable to justify the project based on the 21-mile area required by the rules.

Moreover, QMG's proposed market area consists largely outside of the 21-mile radius allowed. Based on the familiar equation for determining the area of circle ($\text{Area} = \pi r^2$), an area with a 50 mile radius is 7,854 square miles whereas an area with a 21-mile radius is only 1,385 square miles. Consequently, over 82% of QMG's market area lies outside the 21-mile radius that the Review Board's regulations allow.

The "Existing Problems" identified by QMG are of QMG's Own Making

At pages 57–61 of the permit application, QMG purports to "identify the existing problems" that the proposed project will rectify. Many of the alleged problems relate to the management of the Blessing ASTC and, as such, fall directly within QMG's responsibilities as the manager of that facility. For example:

1. QMG states that the "the operational practice at the existing ASTC drastically limits available surgery hours as the anesthesiology group retained by the owner of the ASTC usually does not allow surgical cases to begin after 3 p.m." and "QMG desires to have the flexibility to control and expand surgery hours to include evenings and weekends for patient convenience." (Appl. at 58.) QMG, as manager of the facility, is responsible for scheduling the hours of operation of the facility services, scheduling the hours of work of all facility services, and patient scheduling. QMG has failed to perform this responsibility, if its statements in the permit application are true.
2. QMG states that, "Urology equipment is not available in the existing ASTC; therefore, outpatient urological surgery is performed in the local hospital's ORs. Lack of ASTC availability for these services is a dissatisfier for both patients and providers." (Appl. at 58.) As manager of the ASTC, QMG is responsible for patient satisfaction, assessing service level and recommending equipment purchases. QMG has failed to perform this responsibility, if its statements in the permit application are true.
3. QMG states that "limited neurosurgery procedures are performed in Quincy's existing ASTC" and that ENT equipment "is currently only offered by the local hospital in its outpatient department[.]" (Appl. at 59.) As manager of the ASTC, QMG is responsible for assessing service level and recommending equipment purchases. QMG has failed to perform this responsibility, if its statements in the permit application are true.
4. QMG states that its proposed surgery center will "improve care coordination, efficiency, and lead to better clinical outcomes...." (Appl. at 61.) QMG and its Medical Director are responsible for the quality of care, and the development and of appropriate quality improvement policies and programs at the ASTC. If "better clinical outcomes" are obtainable by QMG and its Medical Director, they have the contractual duty to develop and implement policies and programs to obtain those outcomes at the Blessing ASTC that they manage.
5. QMG states that its proposed facility will improve care because "QMG physicians will have immediate access to a patient's complete medical record through QMG's EMR system and will not be required to navigate two EMR systems...." (Appl. at 61.) QMG and its Medical Director have the contractual

duty to design and develop the patient information and medical records for use within the Blessing ASTC. If the current medical records are not “complete” or easily navigated, QMG and its Medical Director have breached their contractual duties to Blessing Hospital under the parties’ management agreement.

As noted above, Blessing Hospital has sent QMG a formal Notice to Cure the above matters. QMG has requested that Blessing Hospital enter into negotiations to resolve these issues, and Blessing Hospital has agreed to do so. Assuming that QMG will undertake good faith efforts to address these matters, as it is required to do under the parties’ contract, there is no justification for the proposed ASTC.

The Project Will Not Provide Cost Savings as Represented in the Application

QMG claims that its proposed facility will provide an average 30% cost savings per procedure compared to Blessing Hospital. (Appl. at 58.) This claim fails to account for a number of relevant factors.

First, Blessing Hospital is committing to move from provider based reimbursement to an outpatient center payment for Medicare at the existing ASTC by this summer. Consequently, the Blessing ASTC will be charging equivalent rates at the existing ASTC. Blessing has already submitted its application to remove provider based reimbursement from the ASTC, and anticipates the change to ASTC rates will take effect in the next few months. That alone will eliminate any proposed cost savings offered by QMG.

Second, QMG has not accounted for duplicate costs of labor in the community due to a duplicative and unnecessary surgical facility. Based on minimum staffing requirements, a second surgery center in Quincy would add additional labor costs of \$1.8 million annually.

Third, QMG’s cost commitment is only valid for two years. Given QMG’s for-profit status and 40% out-of-state equity owner, QMG can be expected to raise prices as high as possible to maximize profits as soon as possible. In addition, as noted below, QMG’s cost commitment is limited to only a small fraction of the total services for which QMG physicians are currently performing.

The unnecessary duplication of an outpatient surgery center within three miles of Blessing’s existing hospital and ASTC would make it extremely difficult for Blessing to maintain and further implement the cost savings initiatives described above. Blessing Health System has provided and continues to provide real cost savings to the community. QMG’s offers only illusory, speculative and temporary “cost savings” at best and, at worst, will impose tremendous losses to the community by redirecting \$41 million annually away from not-for-profit health care services and the safety net to QMG’s for-profit investors.

C) Criterion 1110.110(c) Safety Net Impact

All health care facilities, with the exception of skilled and intermediate long term care facilities licensed under the Nursing Home Care Act, shall provide a safety net impact statement, which shall be filed with an application for a substantive project (see Section 1110.40). Safety net services are the services provided by health care providers or organizations that deliver health care services to persons with barriers to mainstream health

care due to lack of insurance, inability to pay, special needs, ethnic or cultural characteristics, or geographic isolation. [20 ILCS 3960/5.4]

**The QMG Project will Profoundly and Permanently Impair
Existing Health Care Services, including Safety Net Service**

The proposed ASTC is entirely based on QMG's redirection of 13,283 outpatient surgeries and cardiac catheterizations from where they are currently being provided at Blessing Hospital and the existing Blessing ASTC. (Appl. at 71-72.) The project will have a devastating impact on Blessing Hospital and cause irreparable harm to the region's safety net services. The project will annually redirect tens of millions of health care dollars away from the region's safety net and the not-for-profit Blessing Hospital and into the hands of QMG's for-profit investors, including the 40% owner of QMG which is UnityPoint in Iowa.

Blessing Hospital's total contribution to the region's safety net, in terms of dollars only, amounts to approximately **\$17 million** annually, and this amount does not include government-pay shortfalls and bad debt (at cost) which totaled **\$46 million** in 2018 alone. (See **Attachment 8**.) Blessing's Safety net services directly affected over **33,000 patients** last year through Blessing's trauma and emergency departments and financial assistance program. Consider all the families of these patients, and the number of impacted lives rises significantly.

The value of the safety net to these people - and to the quality of life in the region overall - is immeasurable. The adverse financial impact of QMG's proposed project on Blessing Hospital and the care it provides is measureable. Conservatively, it would be over **\$41 million annually** based on the 13,283 cases that QMG would be redirecting from Blessing's existing facilities. (See **Attachment 9**.) This amount is almost 2.5 times the \$17 million in direct contributions that Blessing made to the area's safety net services in 2018. This impact would obviously be felt most by safety net services which QMG, as a for-profit entity, does not and will not provide or subsidize.

The Blessing job losses caused by QMG's project is conservatively estimated at 400 full-time employees, at least, and many of these workers provide safety net services. For the county's largest employer to lose 400 workers for the sake of an unnecessary, duplicative facility is a terrible loss with no compensating benefits to the community. All of the benefits of this project run to a relatively small group of physicians and their large out-of-state investor.

A detailed list of safety net services and community benefits provided by Blessing Hospital that will be adversely impacted by the QMG project is included as **Attachment 10**.

D) Criterion 1110.110(d) – Alternatives to the Proposed Project

To demonstrate compliance with this criterion the Applicants must document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.

**A Better and Mutually Beneficial Alternative to the Project is for
QMG and Blessing to Joint Venture to Provide Quality Health Care to the Community**

QMG initially represented on page 68 of its permit application that it had proposed a joint venture arrangement with Blessing Hospital and the proposal was rejected. These statements were false, and QMG subsequently retracted them in a revised page 68. QMG never proposed a joint venture, and there was therefore no proposal to reject. Blessing Hospital has been open to a

joint venture with QMG and, in fact, has recently submitted a joint venture proposal to QMG to address the intended purposes of QMG's proposed ASTC. See **Attachment 3**.

For over twelve years, Blessing Hospital and QMG have worked together to serve the community in the existing Blessing Hospital ASTC which is owned by Blessing Hospital and managed by QMG. The building in which the ASTC is located is owned by QMG which leases the space to Blessing Hospital.

In addition to promoting joint ventures, the Review Board's rule also requires promotes the alternative of "utilizing other health care resources that serve all or a portion of the population proposed to be served by the project." 77 Ill. Adm. Code 1110.110(d)(1)(C). Here, the existing ASTC and hospital, owned by Blessing, and the ASTC managed by QMG, *are currently serving all* of the population proposed to be served by QMG's proposed project. The population does not need another ASTC because it is already being treated in the existing ASTC and hospital outpatient department.

QMG's for-profit status and its 40% equity partner UnityPoint require that QMG's decisions relating to ASTC projects be financially driven, just as QMG has explained in its permit application that its decision to sell its own ASTC was motivated by a need to "raise funds." (Appl. at 67.) Undoubtedly, the current project is driven by a desire for QMG's owners to enhance profits by capturing a facility fee in addition to the professional fees already being collected by QMG's physicians. This profit-driven motivation, however, does not justify the establishment of an unnecessary, duplicative health care facility that derives all of its patient volume from nearby existing facilities, one of which was previously owned by, and now managed by, QMG itself. A far better alternative is for QMG and Blessing Hospital to joint venture, and Blessing Hospital has proposed just that.

Blessing Hospital has long been supportive of QMG as a partner in improving the health of our communities. In 2000, when QMG applied for a Certificate of Need to establish a new ASTC in Quincy, Blessing Hospital did not object. QMG opened its ASTC 2003 at a cost of \$5.8 million. When QMG became cash-strapped just a few years after it opened the ASTC and decided to sell it to raise funds, Blessing Hospital stepped up and purchased the ASTC. QMG sold the ASTC to Blessing Hospital in 2006 for \$13 million. In addition to the \$13 million QMG made from the sale of the facility, it reaped an additional \$17 million from Blessing Hospital in facility lease and management payments since the sale for a total of \$30 million, compared to QMG's initial cost of \$5.8 million to build the facility. Blessing Hospital allowed QMG to continue to manage the facility and retain ownership in the building, which allowed QMG to receive a steady income stream in the form of management fees and lease payments from Blessing Hospital.

II. Project Scope and Size, Utilization and Unfinished/Shell Space

A) Criterion 1110.120(a) – Size of Project

To demonstrate compliance with this criterion the Applicants must document that the physical space proposed for the project is necessary and appropriate. The proposed square footage cannot deviate from the square footage range indicated in Appendix B, or exceed the square footage standard in Appendix B if the standard is a single number, unless square footage can be justified by documenting, as described in subsection (a)(2).

There is a significant discrepancy between the project square footage identified in permit application and the space identified in the Lease submitted by QMG. Page 4 of

the application identifies total project space as 26,850 square feet. The Lease shows that QMG is leasing over 70,000 square feet on two floors in the building and that the space on the second floor, where the ASTC will be located, totals 33,356 square feet, which is over 6,500 square feet more than the permit application identifies. (See **Attachment 11**.) QMG has not identified and justified this 6,500 square feet of space that appears to be included within the space leased for the ASTC. The Lease also provides for QMG to lease an additional 16,328 square feet of space directly abutting the space designated for the ASTC. The application does not address this additional space or the purpose for which it might be used.

QMG provided no architectural floor plans as required by the Criterion and which might demonstrate how the leased space is proposed to being utilized.

In addition, QMG is proposing to include a radiation oncology service in the leased space. QMG did not include radiation oncology in the permit application and claimed in its request for a Determination of Reviewability that it can acquire a linear accelerator, build the radiation vault, and install the equipment for slightly less than the capital threshold of \$3,515,648. (See **Attachment 12**.) QMG provided no purchase orders or cost estimates to support this astonishingly low projected cost.

Moreover, it appears that QMG intends to use the CT Scanner in the proposed ASTC in connection with the radiation oncology services. If that is the case, then the ASTC is programmatically and necessarily related to the radiation oncology service and the two projects should then be combined in a single application as required by the Review Board's regulations. 77 Ill. Adm. Code 1130.310(b)(1). In addition, the cost of the CT equipment is \$666,375 (Appl. at 49). If this amount were added to the cost of the radiation oncology project (\$3,394,648), the total would exceed the capital threshold by over a half million dollars, such that a Certificate of Need permit would then be required for QMG's radiation oncology service.

B) Criterion 1110.120(d) – Unfinished or Shell Space

If the project includes unfinished space (i.e., shell space) that is to meet an anticipated future demand for service, the applicant shall document that the amount of shell space proposed for each department or clinical service area is justified, and that the space will be consistent with the standards of Appendix B as stated in subsections (a) and (b).

QMG states that this Criterion is "not applicable." (Appl. at 14.) As addressed above, it appears that the project has at least 6,500 square feet of shell space. The permit application should have addressed this Criterion.

C) Criterion 1110.120(e)(2) – Assurances

2) For shell space, the applicant shall submit the following: A) Verification that the applicant will submit to HFSRB a CON application to develop and utilize the shell space, regardless of the capital thresholds in effect at that time or the categories of service involved; B) The anticipated date by which the subsequent CON application (to develop and utilize the subject shell space) will be submitted; and C) The estimated date when the shell space will be completed and placed into operation.

QMG failed to provide the required verifications that QMG will apply for a CON application when it develops the shell space.

III. Establishment of Cardiac Catheterization Service

A) Criterion 1110.225(a) – Peer Review

Any applicant proposing the establishment or modernization of a cardiac catheterization unit shall detail in its application for permit the mechanism for adequate peer review of the program. Peer review teams will evaluate the quality of studies and related morbidity and mortality of patients and also the technical aspects of providing the services such as film processing, equipment maintenance, etc.

The rule requires that QMG detail the mechanism for adequate peer review of the program. The application states that QMG will have a “robust peer review process” and “distinct and separate structure and personnel in place for peer review/quality assurance” (Appl. at 76), but it does not detail who will be a part of this process (e.g., cardiologists, internists, interventional radiologists, etc.), and provides no information regarding how peer review information will be recorded, maintained or stored. In addition, the application does not explain how the technical aspects of providing cardiac catheterization services will be evaluated (e.g., film processing, equipment maintenance, etc.).

QMG’s response to the criteria contains lists of sample metrics, best practices and various registries that “may be” implemented, but does not contain, as the rule requires, a detailed mechanism showing setting forth the actual metrics, practices and registries that *will be* implemented.

B) Criterion 1110.225(e) – Support Services

1) Any applicant proposing the establishment of a dedicated cardiac catheterization laboratory must document the availability of the following support services”: A) Nuclear medicine laboratory; B) Echocardiography service; C) Electrocardiography laboratory and services, including stress testing and continuous cardiogram monitoring; D) Pulmonary Function unit; E) Blood bank; F) Hematology laboratory-coagulation laboratory; G) Microbiology laboratory; H) Blood Gas laboratory; I) Clinical pathology laboratory with facilities for blood chemistry.

2) These support services need not be in operation on a 24-hour basis but must be available when needed.

None of the required support services will be available on-site. The application states that they will be offered at a remote laboratory owned by QMG at a different location. QMG does not provide the hours of operation of this remote laboratory or explain how the each of the support services will be available when needed, as required by the Criterion.

C) Criterion 1110.225(g) – Staffing

It is the policy of the State Board that if cardiac catheterization services are to be offered that a cardiac catheterization laboratory team be established. Any applicant proposing to establish such a laboratory must document that the following personnel will be available:

1) Lab director board-certified in internal medicine, pediatrics or radiology with subspecialty training in cardiology or cardiovascular radiology.

2) A physician with training in cardiology and/or radiology present during examination with extra physician backup personnel available.

3) Nurse specially trained in critical care of cardiac patients, knowledge of cardiovascular medication, and understanding of catheterization equipment.

- 4) Radiologic technologist highly skilled in conventional radiographic techniques and angiographic principles, knowledgeable in every aspect of catheterization instrumentation, and with thorough knowledge of the anatomy and physiology of the cardiovascular system.
- 5) Cardiopulmonary technician for patient observation, handling blood samples and performing blood gas evaluation calculations.
- 6) Monitoring and recording technician for monitoring physiologic data and alerting physician to any changes.
- 7) Electronic radiologic repair technician to perform systematic tests and routine maintenance; must be immediately available in the event of equipment failure during a procedure.
- 8) Darkroom technician well trained in photographic processing and in the operation of automatic processors used for both sheet and cine film.

The application fails to comply with the Criterion in the following respects:

- 1) The application does not state that a physician with training in cardiology and/or radiology will be present during examinations with extra physician backup personnel available.
- 2) The application does not identify a radiologic technologist skilled in conventional radiographic techniques and angiographic principles, knowledgeable in every aspect of catheterization instrumentation, and with thorough knowledge of the anatomy and physiology of the cardiovascular system.
- 3) The application does not identify a monitoring and recording technician for monitoring physiologic data.
- 4) The application does not identify an electronic radiologic repair technician who will be immediately available in the event of an equipment failure.
- 5) The application does not identify a the darkroom technician with the qualifications required by the Criterion.
- 6) The application instructions require that an applicant provide staffing schedules. QMG provided no staffing schedules.

D) Criterion 1110.225(h) – Continuity of Care

Any applicant proposing the establishment, expansion or modernization of a cardiac catheterization service must document that written transfer agreements have been established with facilities with open-heart surgery capabilities for the transfer of seriously ill patients for continuity of care.

QMG does not have a written transfer agreement with a nearby hospital. The two transfer agreements recently submitted by QMG are with hospitals located over 100 miles away, and are not suitable for back-up acute cardiac surgical services.

The permit application, filed on October 26, 2018, states that QMG “is pursuing the required referral agreement with an area provider of cardiac surgery for the transfer of seriously ill patients” and the “[t]he final agreement will be submitted during the review process.” (Appl. at 91.) This was not true as QMG did not propose a transfer agreement to Blessing Hospital until it sent an email to Blessing’s CEO with a proposed transfer agreement on January 9, 2019, over two months *after* the permit application was filed.

Shortly after receiving QMG's proposed transfer agreement on January 9th, Blessing Hospital raised a number of concerns to which QMG failed to respond. Among other things, Blessing Hospital sought clarification on how the ASTC would be operated, what safety measures would be undertaken, how anesthesia would be delivered to the patients and by whom. (See **Attachment 13.**) These concerns were especially appropriate given that the permit application: (1) failed to provide a detailed mechanism for adequate peer review of the catheterization service; (2) failed to identify most of the required team members for the catheterization service; (3) failed to provide the hours of operation for the required support services, which will not be on-site, and as to which QMG failed to document would be available when needed, and (4) failed to provide staffing schedules for the cardiac catheterization service to show the coverage required by the Review Board's regulations.

Furthermore, QMG's is proposing a service that has never before been approved in the State of Illinois, that is, a remote cardiac catheterization service that is not on or adjacent to a hospital campus with acute cardiac services. The only ASTC in Illinois that provided cardiac catheterization is now closed, and that facility was located on or adjacent to a hospital campus, namely, the Prairie Diagnostic Center at St. John's Hospital in Springfield. Moreover, that facility was a single specialty facility wholly dedicated to cardiac catheterizations, was initially approved as a joint venture with the hospital and was wholly owned and controlled by the hospital at the time of closure. By contrast, QMG's facility would be three miles from the nearest acute cardiac program, is not a joint venture with the transferee hospital, and is not owned or controlled by the hospital.

Neither the permit application nor QMG itself have provided Blessing Hospital with sufficient information and assurances regarding the operation and safety of the proposed project, and this has a direct bearing on the requested transfer agreement.

IV. Establishment of an Ambulatory Surgical Treatment Center

- A) Criterion 1110.225(c)(3)(A) – Service Demand: Historical Referrals**
The applicant shall document that the proposed project is necessary to accommodate the demand experienced annually by the applicant, over the latest 2-year period, as evidenced by historical and projected referrals. The applicant shall document the information required by subsection (c)(3) and either subsection (c)(3)(B) or (C).

Under the above Criterion, historical referrals the documentation of physician referrals must include the physicians name and specialty and patient origin data. QMG did not comply with this Criterion. The application contains a list of 39 physicians who will supposedly refer patients to the proposed facility, but none of these physicians submitted referral letters. (Appl. at 101-102.) The application only contains a letter from QMG's Chief Executive Officer, who is not a physician herself, purporting to convey the commitment of physicians to refer cases to the proposed project, but not one physician has actually committed referrals in accordance with the requirements of the Criterion.

- B) Criterion 1110.225(c)(3)(B) – Projected Service Demand:**
The anticipated number of referrals cannot exceed the physician's experienced caseload.

QMG violates this Criterion by using projected utilizations that are higher than historical utilization for both outpatient surgical cases and cardiac catheterizations:

- Page 71 of the application shows 12,654 projected outpatient cases for the year 2023, compared to historic utilization of 11,745 cases in 2018. Projections exceed historical utilization by 909 case.
- Page 72 of the application shows 629 projected catheterizations for the year 2023, compared to historic utilization of 584 cases in 2018. Projections exceed historical utilization by 45 cases.

The application states on page 100 that only 10,712 cases will be referred to the proposed facility, but as this number conflicts with the higher numbers that QMG used to justify utilization of the requested operating rooms on pages 71 and 72 of the application, the higher numbers must be given greater weight.

C) Criterion 1110.225(c)(6) – Service Accessibility

The proposed ASTC services being established or added are necessary to improve access for residents of the GSA. The applicant shall document that at least one of the following conditions exists in the GSA:

- A) There are no other IDPH-licensed ASTCs within the identified GSA of the proposed project;
- B) The other IDPH-licensed ASTC and hospital surgical/treatment rooms used for those ASTC services proposed by the project within the identified GSA are utilized at or above the utilization level specified in 77 Ill. Adm. Code 1100;
- C) The ASTC services or specific types of procedures or operations that are components of an ASTC service are not currently available in the GSA or that existing underutilized services in the GSA have restrictive admission policies;
- D) The proposed project is a cooperative venture sponsored by 2 or more persons, at least one of which operates an existing hospital. Documentation shall provide evidence that:
 - i) The existing hospital is currently providing outpatient services to the population of the subject GSA;
 - ii) The existing hospital has sufficient historical workload to justify the number of surgical/treatment rooms at the existing hospital and at the proposed ASTC, based upon the treatment room utilization standard specified in 77 Ill. Adm. Code 1100;
 - iii) The existing hospital agrees not to increase its surgical/treatment room capacity until the proposed project's surgical/treatment rooms are operating at or above the utilization rate specified in 77 Ill. Adm. Code 1100 for a period of at least 12 consecutive months; and
 - iv) The proposed charges for comparable procedures at the ASTC will be lower than those of the existing hospital.

QMG's provided no documentation showing compliance with any of the above criteria.

D) Criterion 1110.225(c)(7)(A) – Unnecessary Duplication/Maldistribution

- B) The applicant shall document that the project will not result in maldistribution of services. Maldistribution exists when the GSA has an excess supply of facilities and ASTC services characterized by such factors as, but not limited to:
 - i) A ratio of surgical/treatment rooms to population that exceeds one and one-half times the State average;
 - ii) Historical utilization (for the latest 12-month period prior to submission of the application) for existing surgical/treatment rooms for the ASTC services

- proposed by the project that are below the utilization standard specified in 77 Ill. Adm. Code 1100; or
- iii) **Insufficient population to provide the volume or caseload necessary to utilize the surgical/treatment rooms proposed by the project at or above utilization standards specified in 77 Ill. Adm. Code 1100.**

QMG's provided no documentation showing compliance with any of the above criteria. Moreover, the establishment of QMG's proposed ASTC would create an excess supply of facilities and create maldistribution. This is evident by the fact that all of the surgical and catheterization cases to be referred to the project are currently being treated at the two existing facilities located within three miles of the proposed project. Creating a third facility for the same patient volume is duplicative and unnecessary.

E) Criterion 1110.225(c)(7)(C) – Impact on Existing Facilities

The applicant shall document that, within 24 months after project completion, the proposed project:

- i) Will not lower the utilization of other area providers below the utilization standards specified in 77 Ill. Adm. Code 1100; and
- ii) Will not lower, to a further extent, the utilization of other GSA facilities that are currently (during the latest 12-month period) operating below the utilization standards.

The Review Board's regulations quantitatively identify unnecessary duplication of health care facilities by the impact a proposed new facility has on the utilization of existing facilities. By this measure, QMG's proposed project is quantitatively and unequivocally an unnecessary duplication of facilities, and creates a severe maldistribution of services.

QMG's permit applications reveals that it intends to redirect 12,654 surgical cases and 629 cardiac catheterization cases from Blessing's hospital and ASTC to the proposed facility. (Appl. at 71-72). This will dramatically reduce the utilization of the two existing facilities in direct contravention of Review Board's regulations. In 2017, the Blessing ASTC had a total of 10,804 cases. QMG's proposed facility would require *all* of the Blessing ASTC 10,804 cases plus an additional 2,479 surgical and catheterization cases from Blessing Hospital to meet the total 12,654 cases that QMG requires to meet target utilization. To make matters worse, QMG is likely to refer the higher paying patients to its own facility while leaving Blessing with the higher-risk and underinsured patients. QMG's for-profit status and its investors require such behavior.

QMG claims that "growth" will make up for all of the lost volume at both the hospital and ASTC over the next four years. QMG does not explain the nature of the growth that will supposedly cause surgical volume to double in the next four years. QMG does not claim the population will double and, to the contrary, the Review Board's latest Inventory of Health Care Services shows that the area population is projected to *decline* of nearly 2.5 percent by 2020. (See **Attachment 14.**)

QMG assumes what it refers to as a "conservative" 10% annual growth rate in surgeries at Blessing Hospital and the ASTC. This level of growth cannot not rational as the average growth rate from FY 14 to FY 17 was only 5.5%. Additionally, it must be noted in the yet-to-be-reported FY 18 figures, that there was a 5% drop in surgical cases.

This bring the average growth rate to a modest 3%, which is nowhere near the 10% growth assumed by QMG.

F) Criterion 1110.235(C)(9) – Charge Commitment

In order to meet the objectives of the Act, which are to improve the financial ability of the public to obtain necessary health services; and to establish an orderly and comprehensive health care delivery system that will guarantee the availability of quality health care to the general public; and cost containment and support for safety net services must continue to be central tents of the Certificate of Need process [20 ILCS 3960/2], the applicant shall submit the following:

- A) A statement of all charges, except for any professional fee (physician charge); and
- B) A commitment that these charges will not increase, at a minimum, for the first 2 years of operation unless a permit is first obtained pursuant to 77 Ill. Adm. Code 1130.310(a).

Contrary to the above Criterion, QMG has failed to submit a statement of “all charges” and submitted instead a list of only 46 CPT Codes and corresponding fees. This is a very small fraction of the total CPT Codes being charged for services currently being rendered by QMG physicians. QMG fails to commit to any limit on charges for the vast majority of services it would be billing the patients.

Moreover, QMG’s alleged cost savings are refuted by its own documentation. In Appendix B to the application, QMG lists nearly 340 CPT Codes comparing Medicare ASTC facility fees with hospital outpatient fees for the same procedures. For example, the list shows that for colorectal cancer screening Codes of G0105 and G0121, the ASTC fees are \$342.25 and hospital outpatient fees are \$643.61. (Appl. at 166.) QMG’s charge commitment for these two codes is \$1,882, which is nearly three times the listed hospital rate. Appl. at 119.

V. Clinical Service Areas Other than Categories of Service

A) Criterion 1110.270(b)(2)(B) – Physician Referrals

The applicant shall submit original signed and notarized referral letters, containing certification by the physicians that the representations contained in the letters are true and correct.

QMG relies on 6,507 historical referrals and 8,305 projected referrals for the requested CT scanner, but has failed to submit any physician referral letters supporting either historical or projected referrals.

VI. Financial Viability

A) Criterion 1120.120(a) – Availability of Funds: Cash and Securities

Applicants shall document that financial resources will be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources from the following applicable sources:

- a) Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:
 - 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of those funds; and
 - 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant’s submission through project completion.

The permit application states that the project will be funded with cash and securities in the amount of \$1,767,096. (Appl. at 47.) No financial statements were

provided that would provide evidence of sufficient resources to fund the cash portion of the project as required by the Criterion.

B) Criterion 1120.120(d) – Availability of Funds: Debt

Debt – for applicants with projects involving debt financing, a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project.

Page 128 states that QMG will borrow \$7 million to fund that project. By letter dated February 1, 2019, QMG stated that it “will take out a loan of approximately \$4.9 million” to fund the project. QMG submitted no terms and conditions for either loan as required by the rule, nor has QMG submitted documentation from any lender attesting to its willingness to provide such loans.

C) Criterion 1120.130(b) – Financial Viability: Viability Ratios

Applicants that are responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion.

QMG’s viability ratios on page 125 of the application fail to meet state standards in the following respects:

Net Margin Percentage: The standard of 3.5% is not met for any year.

Projected Debt Coverage: The standard of 1.75 or more is not met for 2015.

Days Cash on Hand: The standard of 45 days or more is not met for any year.

Cushion Ratio: The standard of 3.0 or more is not met for any year.

QMG states that its viability ratios would be better if it retained cash earnings “as non-profits do” and did not distribute profits to its investors. (Appl. at 125.) Given that QMG is a for-profit entity, its business model is to distribute profits to its investors. Whether or not its viability ratios might be better if it acted as a not-for-profit is irrelevant.

Conclusion:

For all of the above reasons, Project #18-042, Quincy Medical group Surgery Center should be denied.

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P.O. Box 7005 Quincy, IL
217-223-8400
www.blessinghealthsystem.org

By FedEx Overnight Delivery & Hand-Delivery

January 21, 2019

Quincy Physicians and Surgeons, S.C.
d/b/a Quincy Medical Group
1025 Maine St.
Quincy, Illinois 62301
Attention: Carol Brockmiller, Chief Executive Officer

Re: Request to Cure QMG's Default of Management Agreement for Blessing Hospital ASTC

Dear Ms. Brockmiller,

This letter is to give notice that Quincy Medical Group ("QMG") is currently in default of its material obligations under the Ambulatory Management Agreement dated November 1, 2006, as amended ("Agreement") between Blessing Hospital and QMG relating to QMG's management of the Blessing Hospital ASTC located at 1118 Hampshire Street, Third Floor, Quincy, Illinois. Consequently, pursuant to Section 4(c)(ii) of the Agreement, QMG must proceed promptly and continuously to cure the default within ninety (90) days of the date of this notice, January 21, 2019, or else be further subject to the default provisions of the Agreement.

QMG is in default and material breach of the following provisions of the Agreement relating to QMG's responsibilities to manage the ASTC:

Section 1(c): "Standard of Care. Manager shall act in good faith, with reasonable care and diligence and in a manner reasonably believed to be in the best interests of Hospital. Manager shall provide the Management Services in a competent, efficient and reasonable satisfactory manner. In doing so, Manager shall act with no less than the degree of care customarily exercised by other similar management companies in the contract management of ambulatory surgery centers in the United States generally. Manager agrees to cooperate with Hospital in developing timely responses in support of the business needs of Hospital."

Attachment A, Section A (1), (2) and (3): "Management Services shall include the following services and functions ... (1) In consultation with Hospital, scheduling the hours of operation of all Facility services; (2) Scheduling the hours of work of all Facility services; (3) Patient scheduling."

Attachment A, Section D: QMG's management services include: "Recommending for purchase equipment, supplies and inventory, including monitoring, evaluating and recommending new technologies, services and equipment purchases for Hospital and Facility."

Attachment A, Section H: QMG's management services include: "Assessing service level and patient satisfaction."

Attachment B, Sections 2, 4 and 13: QMG is required to provide the ASTC with a full time, duly licensed physician to serve as the Medical Director whose duties include: "Develop and monitor quality indicators and provide Hospital with a quarterly report"; Advise and assist in "the development and implementation of an appropriate quality improvement program with respect to the Facility," and "Develop and implement clinical policies and procedures regarding Facility."

Attachment B, Section 7: The Medical Director provided by QMG is required to, "Assist in the design and development of patient information, medical record and consent forms for use in the Facility."

QMG has defaulted on and materially breached the above provisions of the Agreement in the following respects:

1. QMG represented to the Illinois Health Facilities and Services Review Board ("Review Board") that "the operational practice at the existing ASTC drastically limits available surgery hours as the anesthesiology group retained by the owner of the ASTC usually does not allow surgical cases to begin after 3 p.m." and "QMG desires to have the flexibility to control and expand surgery hours to include evenings and weekends for patient convenience." QMG's application for a Certificate of Need (CON) in Project # 18-042 ("CON Appl.") at 58. QMG, as manager of the facility, is responsible for scheduling the hours of operation of the facility services, scheduling the hours of work of all facility services, and patient scheduling. By its own admission, QMG has failed to perform this responsibility.
2. QMG represented to the Review Board that, "Urology equipment is not available in the existing ASTC; therefore, outpatient urological surgery is performed in the local hospital's ORs. Lack of ASTC availability for these services is a dissatisfier for both patients and providers." CON Appl. at 58. As manager of the ASTC, QMG is responsible for patient satisfaction, assessing service level and recommending equipment purchases. QMG now admits that it has failed to perform this responsibility.
3. QMG represented to the Review Board that "limited neurosurgery procedures are performed in Quincy's existing ASTC" and that ENT equipment "is currently only offered by the local hospital in its outpatient department." CON Appl. at 59. As manager of the ASTC, QMG is responsible for assessing service level and recommending equipment purchases. QMG admits that it has failed to perform this responsibility.
4. QMG represented to the Review Board that QMG's proposed surgery center will "improve care coordination, efficiency, and lead to better clinical outcomes...." CON Appl. at 61. QMG and its Medical Director are responsible for the quality of care, and the development and

implementation of appropriate quality improvement policies and programs at the ASTC. If "better clinical outcomes" are obtainable by QMG and its Medical Director, they have the contractual duty to develop and implement policies and programs to obtain those outcomes at the Blessing ASTC that they manage.

5. QMG represented to the Review Board that QMG's proposed facility will improve care because "QMG physicians will have immediate access to a patient's complete medical record through QMG's EMR system and will not be required to navigate two EMR systems..." CON Appl. at 61. QMG and its Medical Director have the contractual duty to design and develop the patient information and medical records for use within the Blessing ASTC. If the current medical records are not "complete" or easily navigated, QMG and its Medical Director have breached their contractual duties to Blessing Hospital.

The above defaults represent serious, repeated and self-admitted failures by QMG to fulfill the management services it is required to perform in good faith, with reasonable care and diligence and in a manner reasonably believed to be in the best interests of Blessing Hospital. These defaults must be cured by QMG.

In addition to the above defaults, QMG has further breached its contractual obligation to exercise good faith and act in the best interests of Blessing Hospital in connection with its management of the Blessing ASTC by making a series of false and misleading representations to the Review Board regarding the contractual relationship between the parties and QMG's proposed project.

QMG has made the following false and misleading representations to the Review Board:

1. QMG falsely represented to the Review Board that Blessing Hospital "did not respond positively to QMG's request to evaluate changing the existing arrangement." CON Appl. at 67. QMG never presented a request to Blessing Hospital that the terms of the Agreement be amended or re-evaluated.
2. QMG falsely represented to the Review Board that "QMG proposed a joint venture arrangement" to Blessing Hospital in connection with QMG's proposed project and, "The proposal was rejected." CON Appl. at 68. This statement was so blatantly false that QMG was compelled to later retract it and admit to the Review Board that "a specific proposal was not made by QMG to Blessing to joint venture" in connection with QMG's proposed project. CON Appl. at revised page 68 submitted on December 3, 2018.
3. QMG falsely represented to the Review Board that QMG has presented "numerous proposals" to Blessing Hospital relating to ASTC joint ventures, including a joint venture involving the Blessing Hospital ASTC which is currently managed by QMG, and that no "affirmative response had been received from Blessing by QMG." CON Appl. at Revised page 68. Blessing Hospital has been and remains open to discussing and evaluating all reasonable proposals from QMG relating to cooperative arrangements or joint ventures relating to ASTCs in Quincy.

In addition to this request to cure defaults, I further request on behalf of Blessing Hospital and its Board that, pursuant to QMG's reporting requirements under the Agreement and QMG's obligation to keep Blessing Hospital advised in all matters pertaining to the operation of the ASTC, that QMG prepare and submit a written report to the Hospital within fourteen days of the date of this notice detailing the specific steps that QMG is taking and will take to cure the above defaults and the current status of each default, and prepare and submit additional written reports every fourteen days thereafter until every default is cured. I further request the QMG retract and clarify all false and misleading representations it has made to the Illinois Health Facilities and Services Review Board.

Finally, as QMG's permit application for a proposed ASTC in Project #18-042 is premised on management issues for which QMG itself is directly responsible, Blessing Hospital requests that QMG immediately withdraw the permit application given that QMG will be correcting the alleged conditions that QMG is relying on to justify the proposed ASTC.

Sincerely,

A handwritten signature in black ink, appearing to read "Maureen Kahn", with a long horizontal flourish extending to the right.

Maureen Kahn, President/CEO
Blessing Hospital

MAK/sem



P.O. Box 7005 Quincy, IL
217-223-8400
www.blessinghealthsystem.org

February 12, 2019

By Personal Delivery

Carol Brockmiller, Chief Executive Officer
Quincy Medical Group
1025 Maine Street
Quincy, Illinois 62301

Re: Notice to Cure QMG's Default of Management Agreement for Blessing Hospital ASTC

Dear Ms. Brockmiller,

I am writing in reply to your letter dated February 5, 2019 regarding Blessing Hospital's Notice to Cure Defaults, dated January 21, 2019, in connection with the management obligations of Quincy Medical Groups ("QMG") under the parties' Ambulatory Management Agreement dated November 1, 2006, as amended ("Management Agreement"). While I do not agree with the merits and substance of your February 5th letter, I am pleased that QMG seeks resolution of the issues raised by Blessing Hospital and, as you stated in your letter, that QMG desires to "meet and confer in good faith on the issues and enter into good faith negotiations to resolve the concerns pursuant to the requirements of Section 9(a) of the Management Agreement." Blessing Hospital has agreed to meet and confer, and enter into good faith negotiations with QMG to resolve the issues raised in the Notice to Cure Defaults. My office has already reached out to you with proposed dates for the meeting.

For purposes of the meeting, attached to this letter is an itemization of the management deficiencies that QMG identified to the Illinois Health Facilities and Services Review Board in connection with QMG's Project #18-042, Quincy Medical Group Surgery Center. These are the issues that Blessing Hospital wishes to have resolved, together with any other management issues that QMG would like to bring to our attention.

I look forward to meeting with you and QMG to resolve these issues.

Sincerely,

Maureen Kahn, President & CEO
Blessing Hospital

MAK/sem
Attachment

**LIST OF MANAGEMENT DEFICIENCIES TO BE RESOLVED IN "MEET AND CONFER"
NEGOTIATIONS BETWEEN BLESSING HOSPITAL AND QUINCY MEDICAL GROUP PURSUANT
TO SECTION 9(A) OF THE PARTIES' MANAGEMENT AGREEMENT**

1. QMG represented to the Illinois Health Facilities and Services Review Board ("Review Board") that "the operational practice at the existing ASTC drastically limits available surgery hours as the anesthesiology group retained by the owner of the ASTC usually does not allow surgical cases to begin after 3 p.m." and "QMG desires to have the flexibility to control and expand surgery hours to include evenings and weekends for patient convenience." QMG's application for a Certificate of Need (CON) in Project # 18-042 ("CON Appl.") at 58. QMG, as manager of the facility, is responsible for scheduling the hours of operation of the facility services, scheduling the hours of work of all facility services, and patient scheduling.
2. QMG represented to the Review Board that, "Urology equipment is not available in the existing ASTC; therefore, outpatient urological surgery is performed in the local hospital's ORs. Lack of ASTC availability for these services is a dissatisfier for both patients and providers." CON Appl. at 58. As manager of the ASTC, QMG is responsible for patient satisfaction, assessing service level and recommending equipment purchases.
3. QMG represented to the Review Board that "limited neurosurgery procedures are performed in Quincy's existing ASTC" and that ENT equipment "is currently only offered by the local hospital in its outpatient department." CON Appl. at 59. As manager of the ASTC, QMG is responsible for assessing service level and recommending equipment purchases.
4. QMG represented to the Review Board that QMG's proposed surgery center will "improve care coordination, efficiency, and lead to better clinical outcomes...." CON Appl. at 61. QMG and its Medical Director are responsible for the quality of care, and the development and implementation of appropriate quality improvement policies and programs at the ASTC. If "better clinical outcomes" are obtainable by QMG and its Medical Director, immediate efforts should be undertaken to achieve those outcomes.
5. QMG represented to the Review Board that QMG's proposed facility will improve care because "QMG physicians will have immediate access to a patient's complete medical record through QMG's EMR system and will not be required to navigate two EMR systems...." CON Appl. at 61. QMG and its Medical Director have the contractual duty to design and develop the patient information and medical records for use within the Blessing ASTC. If the current medical records are not "complete" or easily navigated, QMG should propose improvements to the medical records system.



P.O. Box 7005 Quincy, IL
217-223-8400
www.blessinghealthsystem.org

February 11, 2019

Hand-Delivery

Quincy Physicians & Surgeons Clinic, S.C.
1025 Maine Street
Quincy, Illinois 62301

Re: **Joint Venture of the Quincy ASC**

Dear Board of Directors:

This letter sets forth a starting point for discussions with physicians of Quincy Physicians & Surgeons Clinic, S.C., d/b/a the Quincy Medical Group ("QMG"), and the Blessing Health System ("Blessing") regarding a joint venture of the Surgery Center of Quincy located at 1118 Hampshire Street in Quincy, Illinois (the "Quincy ASC"), a wholly-owned clinical operating component of Blessing. In creating this starting point, Blessing has considered best practices in ambulatory surgery center operations as well as legal compliance requirements for physician-hospital joint ventures. We believe a joint venture with the local providers would benefit the entire community by helping us further standardize and enhance patient care, control costs, increase quality, and provide even greater efficiency of and access to ambulatory surgical services.

1. Quincy ASC

In order to allow for the Quincy ASC to be jointly owned with physicians, the Blessing will form a new legal limited liability company ("NewCo"). Blessing will transfer the operating assets and any related liabilities of Quincy ASC to NewCo. Blessing will transfer the ASTC license to NewCo. In addition, Blessing will assign relevant contracts (including its real estate lease) to NewCo and, as applicable, establish new contracts where necessary (including a hospital transfer agreement with Blessing Hospital, and any necessary contracts for Blessing to provide IT and revenue cycle services). Active employees of Quincy ASC will be established at NewCo, preserving their current levels of compensation and benefits. Finally, NewCo will establish a medical staff governance structure and quality assurance oversight (discussed further under Governance).

As you are aware, Blessing is in the process of designating the status of the Quincy ASC from a hospital outpatient department to a freestanding ambulatory surgery center. Blessing will also assign the Medicare provider number to NewCo in order to ensure continuous operation of Quincy ASC.

2. Valuation and Ownership Structure

Blessing will engage a qualified valuation firm with experience in ASC valuation assignments in order to determine the fair market value of Quincy ASC. The fair market value of the Quincy ASC will substantively determine the appropriate valuation the equity of NewCo.

Blessing (or a controlled affiliate of Blessing) will retain the majority (no less than 60%) of NewCo's equity. Once NewCo is established, Blessing plans on syndicating up to 40% ownership in NewCo to eligible physician owners who may purchase equity ownership interests for cash at fair market value. Individual physician investors will be offered equity ownership interests of 1.0% to 3.0% to accommodate the surgeons and other providers who use the Quincy ASC and are most likely qualified investors.

3. Eligible Physician Owners

NewCo will have an operating agreement (the "Agreement") that would describe the eligibility of physicians to qualify and maintain equity ownership in NewCo. In addition to being licensed physicians in good standing and eligible to participate in Medicare, in order to ensure consistency with Blessing's quality assurance efforts all physicians must be members in good standing on the medical staff of Blessing Hospital and to meet all credentialing requirements to be on the medical staff of Quincy ASC. In addition, all physician must be considered active surgeons (i.e., at least one-third of medical practice income for 2018 must be derived from the physician's performance of surgical procedures in an ASC or a hospital) and be in a position to perform at least one-third of his or her surgical procedures at the Quincy ASC.

4. Offer to QMG Physicians

Blessing welcomes the participation of QMG surgeons meeting physician eligibility in the NewCo joint venture. Given the clinical and operational need to focus the Quincy ASC on certain procedures, we will want to discuss which QMG physicians make the most sense as investors in NewCo. However, we believe most of the QMG physicians currently active at Quincy ASC would be invited to be physician investors.

5. Corporate Partner

Blessing is in the process of exploring potential management company partners to manage and potentially invest in NewCo, i.e. a "corporate" partner. Blessing believes such corporate partners offer best practices and state-of-the-art expertise in running ambulatory surgery centers. In order to make substantive performance improvement at Quincy ASC and better ensure future success for Blessing and its physician partners (including any QMG physicians), we believe the corporate partner must serve as the exclusive manager of Quincy ASC.

6. NewCo Governance

The Agreement entered into by Blessing, its physician partners, and any corporate partner will describe the governances of the NewCo joint venture. Blessing envisions there will be a

governing board of NewCo (the "Governing Board") that would consist of Blessing and physician representatives. Representation and voting on the Governing Board would reflect proportional ownership interests in NewCo.

Certain actions of NewCo would require a super-majority approval, including a majority of physician owners. These actions would include (i) decisions to dissolve NewCo or discontinue operation of the Quincy ASC; (ii) a capital call to NewCo equity owners; (iii) amending the Agreement, (iv) NewCo entering into a line of business other than the ownership of Quincy ASC; (v) the merger, consolidation or sale of substantially all of the assets of NewCo or the Quincy ASC; (vi) borrowing or guaranteeing any indebtedness or granting a lien or other encumbrance on any assets of the NewCo or the Quincy ASC; (vii) the transfer of interests in the NewCo by an equity investor; (viii) admitting additional physician equity investors in NewCo; and (ix) establishing policies for distributions of NewCo's cash to its equity owners.

Blessing also envisions physician equity owners to hold primary discretion over (i) appointing a medical director for the Quincy ASC (which may be a QMG physician); and (ii) appointing a quality committee charged with delineating the clinical protocols and clinical decision-making standards at the Quincy ASC.

Finally, Quincy ASC will continue to further Blessing's healthcare mission. Quincy ASC will participate in Medicare and Medicaid and continue to offer charity care consistent with Blessing's policies. The Agreement will provide that Blessing may take any unilateral actions in the event NewCo is engaging in activities that potentially compromise Blessing's tax-exempt status.

7. Other Terms

As common in these types of joint ventures, all physician equity owners in NewCo will agree to non-competition and non-solicitation provisions in the Agreement. This provision will require a physician owner cannot own or manage another ASC within 30 miles of Quincy ASC, and that this covenant not to compete will extend three (3) years following any physician equity owner's withdrawal or termination from NewCo. The transactions contemplated by this letter are subject to all applicable legal and regulatory requirements.

If QMG is interested in pursuing the proposal outlined in this letter, then Blessing respectfully requests the certificate of need application for the ASTC be withdrawn at this time to provide the parties with the opportunity to explore an arrangement. Also, Blessing requests QMG to form a working group of physicians active at Quincy ASC. This working group would begin meetings with Blessing (and potentially a corporate partner) to begin planning the launch of NewCo. Blessing will retain the services of a consulting firm and law firm to assist in this effort.

This letter is intended to be a non-binding expression of interest and act only as an invitation for further discussion between the parties. If Blessing does not receive a written expression of interest to pursue the proposal by 5pm on March 4, 2019, then Blessing will assume QMG is not interested and the proposal will be deemed withdrawn.

Quincy Physicians & Surgeons Clinic, S.C.
February 11, 2019
Page 4

We look forward to hearing from you. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Maureen A. Kahn". The signature is fluid and cursive, with the first name "Maureen" being more prominent than the last name "Kahn".

Maureen A. Kahn
President/CEO

MAK/sem



RECEIVED

FEB 9 2019

HEALTH FACILITIES &
SERVICES REVIEW BOARD
ILLINOIS HOUSE OF REPRESENTATIVES
STATE OF ILLINOIS

Randy E. Frese
STATE REPRESENTATIVE - 94TH DISTRICT

DISTRICT OFFICE:
3701 E. LAKE CENTRE DRIVE
SUITE 3
QUINCY, ILLINOIS 62305
217-223-0833
217-223-1565 (FAX)
REPFRESE@ADAMS.NET

SPRINGFIELD OFFICE:
221 - N STRATTON BUILDING
401 S. SPRING STREET
SPRINGFIELD, ILLINOIS 62706
217-782-8096
217-782-1275 (FAX)

February 7, 2019

Ms. Courtney Avery
Executive Director
Illinois Health Facilities & Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

Re: CON Application #18-042

Dear Ms. Avery:

A public hearing on this CON application was held on January 24, 2019, and a spirited local discussion has ensued regarding the potential benefits and negative impacts of this proposed second surgery center in Quincy. Proponents argue that this new facility would result in increased competition and price reductions for involved procedures, and would benefit the local community, among other ways, through a repurposing of the Quincy Mall. Opponents dispute the suggested cost-savings, and argue that this new facility will duplicate services, result in significant permanent revenue and job loss for the existing hospital and surgery center, and threaten the continued availability of safety net and critical access services. Of course, weighing these divergent viewpoints requires the sort of technical expertise possessed by the Illinois Health Facilities and Services Review Board ("Review Board") staff. It is important that the Review Board get this right, given the long-term implications.

Locally in Quincy, public sentiment is divided. As a reflection of that divided sentiment, and because I represent both the proponents and opponents, I personally wish to remain neutral. That said, I do ask that the Review Board very carefully weigh any adverse impacts of this project.

The applicant and the opponent health system are both highly respected entities in the Quincy community. They have worked together for years. If they could somehow find a way to collaborate now, a joint venture or partnership may be the best for all concerned. In that regard, I note that the Illinois Health Facilities Planning Act allows the Review Board to consider the "availability of facilities which may serve as alternatives or substitutes" to a proposed project ((20 ILCS 3960/12(4)(d)), and that the applicable regulations promote "[p]ursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purpose." (77 Ill. Admin. Code 1110.110(d)(1)).

Thank you for taking my thoughts into consideration.

Sincerely

Randy E. Frese

Randy E. Frese
State Representative

RECYCLED PAPER - SOYBEAN INKS

103C State House
Springfield, Illinois 62706
217-782-2479
FAX: 217-782-9586



STATE OF ILLINOIS
100TH GENERAL ASSEMBLY
ILLINOIS STATE SENATE

JIL TRACY
STATE SENATOR
47TH DISTRICT

February 8, 2019

**Ms. Courtney Avery
Illinois Health and Facilities and Services Review Board
525 West Jefferson St., 2nd Floor
Springfield, IL 62761**

Re: CON Application #18-042

Dear Ms. Avery:

Previously, I submitted a letter dated December 13, 2018, concerning this application. At the time, I was not aware of opposition. Since then, a public hearing was held on January 24, 2019, and much discussion has ensued regarding potential benefits and negative impacts.

Our region and its residents are fortunate to have the services of the Quincy Medical Group and the Blessing Hospital systems. Both entities provide quality health care services to our residents. Both contribute and participate in community events that serve to improve the quality of life for our area. Both provide good employment to many in our area.

I would ask that this letter be added as a supplement to my previous letter. I support the process of the Illinois Health Facilities and Services Review Board. Your members have the expertise to evaluate applications such as this and I do not intend my letters to interject in this process.

Sincerely yours,

A handwritten signature in cursive script that reads "Jil Tracy".

Jil Tracy

State Senator

M103A State House
Springfield, Illinois 62706
217-782-2479
FAX: 217-782-9586



STATE OF ILLINOIS
100TH GENERAL ASSEMBLY
ILLINOIS STATE SENATE

JIL TRACY
STATE SENATOR
47TH DISTRICT

December 13th, 2018

Administrator Courtney Avery
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761

Dear Administrator Avery:

I am writing in support of the certificate of need application by the Quincy Medical Group (QMG) for an Ambulatory Surgery Treatment Center (ASTC) in Quincy, IL (project #18-042). This proposal will result in a multitude of healthcare benefits to the 250,000+ patients who use Quincy as their medical hub, in addition to producing significant economic benefits to this area as a whole.

There are currently five ASTC's located within the West Central Illinois planning area—one of these is located in Quincy, while the other four are located over 100 miles away in Springfield. New technology has enabled more surgeries to be performed in a less expensive outpatient setting, and CMS continues to increase the number of procedures/surgeries that are eligible for reimbursement when performed in an ASTC. QMG's proposal would increase the number of outpatient surgeries that can be performed in this area, totaling to a projected 30% reduction in fees. This will have a positive impact on both citizens who will be able to take advantage of more reasonable treatment options close to home, as well as local businesses who continue to experience rising healthcare and insurance costs.

The entire community will reap additional economic benefits through QMG's plan to locate the surgery center at the Quincy Mall in the former site of Bergner's department store. This repurposing of space will replace significant tax dollars lost by Bergner's departure and ensure that mall businesses see increased traffic. QMG has always played a critical role in securing the presence of high-quality physicians in Quincy. The ASTC will only enhance physicians' ability to perform surgeries and procedures in a lower cost, yet superior care setting. With this in mind, I ask that you and the Illinois Health Facilities and Services Review Board support this important project for the citizens of Quincy and the surrounding area.

Sincerely,

A handwritten signature in cursive script that reads "Jil Tracy".

Jil Tracy
State Senator
Illinois 47th District

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- Finley Hospital

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- Trinity Regional Medical Center

UnityPoint Health - Keokuk

UnityPoint Health - Madison

- Meriter

UnityPoint Health - Peoria

- Methodist

- Pekin Hospital
- Proctor Hospital

UnityPoint Health - Quad Cities

- Trinity - Bettendorf
- Trinity - Moline
- Trinity - Rock Island
- Trinity - Muscatine

UnityPoint Health - Sioux City

- St. Luke's

UnityPoint Health - Waterloo

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NEWS & RESOURCES» UNITYPOINT HEALTH® AND MEMORIAL HOSPITAL ANNOUNCE

UnityPoint Health® and Memorial Hospital Announce

News Re

UnityPoint Health® and Memorial Hospital Announce Affiliation

(CARTHAGE, Ill. June 6, 2018) – Leaders from UnityPoint Health® and Memorial Hospital today announced a formal affiliation beginning July 1, 2018. The two organizations will expand on their commitment to provide high quality, affordable health care at a local level.

"The Memorial Hospital Board of Directors has been investigating opportunities available for two years and have selected an organization which has a shared mission, vision and values," says Dan Asb Memorial Hospital Board President. "The current board members and administration will continue lead our organization with the support of UnityPoint Health as we work to ensure quality and sustainable health care for this region."

Memorial Hospital CEO Ada Bair shared, "I truly feel becoming an affiliate with UnityPoint Health is the right direction for us. One of their main focuses is on people which includes staff, patients and families we serve. Their culture truly fits the goals and direction of Memorial Hospital and our affiliates." Bair added, "Our community will not see any change in the care provided and will continue to be cared for at the same facilities and by the same people. I look forward to our organizations joining the UnityPoint Health family."

"We believe this affiliation will assist in providing better patient care coordination across southeast and west central Illinois. We have a great deal of respect for the long tradition of care Memorial Hospital has in the community and knew they would be a good fit with UnityPoint Health," said Kevin Keiser, President & CEO of UnityPoint Health. "With the changing direction of health care, it is increasingly important for organizations and systems to collaborate and find innovative ways to ensure we provide quality, affordable health care."

Memorial Hospital, an 18-bed critical access hospital (CAH) delivering acute, ambulatory and specialty care, will be a full affiliate of UnityPoint Health. Also included will be Memorial Medical Center, Sherrick Home Health and Hancock County Senior Services. Memorial Hospital providers will continue to provide the broad health care services the community has come to expect.

UnityPoint Health is committed to creating a network of efficient, quality providers that will provide enhanced customer value and experience. It continually evaluates opportunities to work with other quality and like-minded organizations to improve patient experience and outcomes, lower me



costs and provide better access to health care within the communities it serves. The recent partnerships allow all organizations to build on all partners' successes.

###

About UnityPoint Health

Employing over 30,000, UnityPoint Health provides care to millions of patients across Iowa, Illinois, Wisconsin in hospitals, clinics and home health settings. With annual revenues of \$4.4 billion, UnityPoint Health maintains strong relationships with nearly 300 physician clinics, 38 hospitals in metropolitan and rural communities as well as home care services.



Find a Provider:

Last Name

Location

Specialty

1454 North County Road 2050
Carthage, IL 62321 | 217-357-8500

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1 HEALTH FACILITIES AND SERVICES REVIEW BOARD

2

3 PROJECT NO. 18-042 AMBULATORY SURGERY TREATMENT

4 CENTER, QUINCY, ILLINOIS

5

6 PUBLIC HEARING

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13

14

15 PUBLIC HEARING held on January 24, 2019,

16 between the hours of 1:06 p.m. and 5:12 p.m. of

17 that day, at the Quincy Public Library, 526 Jersey

18 Street, Quincy, Illinois, before Jennifer L. Crowe,

19 a Certified Shorthand Reporter (IL).

20

21

22

23

24

1 large volume of care from the non-profit provider
2 to the for-profit provider that does not live by
3 the same mission of delivering services vital to
4 the community health and quality of life regardless
5 of the patient's ability to pay. The consumer will
6 suffer in the long run.

7 Blessing and Quincy Medical Group have
8 worked together before and continue to do so very
9 successfully. The current outpatient center on the
10 QMG campus operated by Blessing and the cancer
11 center on the Blessing campus which services
12 provided by QMG and Blessing are two very clear
13 examples of how community benefits when its health
14 care providers choose to cooperate over
15 competition.

16 I urge the Health Care Facilities and
17 Services Review Board to deny the CON application
18 18-042. Thank you for your consideration.

19 MR. ROATE: Tracey Klein?

20 MS. KLEIN: Good afternoon. My name is
21 Tracey Klein, and I represent Quincy Medical Group
22 as legal counsel. I strongly urge the Board to
23 approve this project.

24 At the outset I want just to correct one

1 misstatement. The project is QMG's. It is not a
2 joint venture with UnityPoint as has been said
3 repeatedly. That is not true. And it is not true
4 to say that 40% of the profits from this center
5 will be going out of state or to a for-profit
6 entity. It is going to be owned and operated by
7 Quincy Medical Group. It is true that UnityPoint
8 owns a position in the medical group, but it is not
9 true that profits are going to be leaving the
10 state.

11 I also appreciate one of the prior
12 speaker's remarks about QMG in saying that, you
13 know, basically QMG is comprised of, you know,
14 long-serving and incredibly well-regarded
15 physicians in this community. I'm new to this
16 community in the sense I don't live here, but
17 what's clear to me in being introduced to Quincy
18 Medical Group is that their physicians form the
19 backbone of the health care delivery system in this
20 community, and they have a passion for doing what
21 is right and best for their patients, and I don't
22 think that should be lost here today.

23 The other thing that I would say is
24 throughout this process I have also been impressed

1 the Certificate of Need.

2 MS. KLEIN: I'm Tracey Klein, and I
3 appreciate your correction and graciousness about
4 the, about the UnityPoint thing. It truly -- the
5 way I represented it, despite what might be in the
6 application, is actually what it is. So we won't
7 see 40% coming out of our -- going out of our
8 community to an Iowa provider. I want to make that
9 very clear.

10 While I appreciate your comments, I still
11 urge support of the CON.

12 And I will just close for the group by
13 saying, you know, we have repeatedly heard that the
14 ASC will hurt the hospital and its employees. I
15 think we were really surprised by the numbers. We
16 are not convinced those numbers are reliable. And
17 we heard 25 to 40 million and 400 jobs, and --
18 because of a reduction of 75% of the outpatient
19 revenue, but then we also heard it was 75% of the
20 projected growth. That's really a very different
21 number.

22 So I guess from our perspective, we are not
23 sure that what's been put forth here today by so
24 many speakers is a reliable result of what would

Community Benefit Totals (Form 990)
Following AHA Guidelines
Fye 9/30/2018

Charity Care				
1	Charity Care at Cost	\$	6,439,604	1.5% safety net
Government Sponsored Healthcare				
2	Medicare Shortfalls	\$	42,056,060	9.9%
3	Medicaid Shortfalls	\$	-	0.0%
Community Health Improvement Services				
4	Adams County Health Department Dental Program	\$	100,000	0.0% safety net
5	SIU Patient Centered Medical Home	\$	62,434	0.0% safety net
6	Health Screenings and Education	\$	41,822	0.0% safety net
7	Support Groups	\$	22,710	0.0% safety net
8	Mental Health Educational Programs	\$	7,335	0.0% safety net
9	Medical supplies/services for patients	\$	36,886	0.0% safety net
10	Charity Pharmacy Prescriptions	\$	54,152	0.0% safety net
11	Patient Transportation and Lodging	\$	79,936	0.0% safety net
12	Medical Interpreting Services	\$	7,290	0.0% safety net
13	Psych Services to SIU, Chaddock, and Transitions	\$	422,766	0.1% safety net
Health Professionals Education				
14	SIU Residency Program	\$	4,188,601	1.0% safety net
15	Blessing-Rieman College of Nursing	\$	1,150,333	0.3% safety net
16	Preceptors	\$	893,304	0.2% safety net
17	Radiology School	\$	300,042	0.1% safety net
18	Lab School	\$	64,265	0.0% safety net
Subsidized Health Services				
19	Care Coordination	\$	1,789,293	0.4% safety net
20	Skilled Nursing Unit	\$	-	0.0% safety net
21	Home Healthcare	\$	935,171	0.2% safety net
22	Hospice	\$	-	0.0% safety net
23	Blessing FastCare	\$	288,239	0.1% safety net
24	I/P Rehab	\$	43,126	0.0% safety net
In-Kind Contributions/Donations				
25	Meeting Space	\$	12,023	0.0%
26	Donations/Sponsorships	\$	12,000	0.3%
27	Donations/Sponsorships	\$	-	0.0%
28	Donations/Sponsorships	\$	85,532	2.3%
29	Adams County Ambulance Service	\$	-	0.0%
Community Benefit Operations				
30	Community Health Needs Assessment	\$	49,184	0.0%
Bad Debt (at cost)				
31	Bad Debt (at cost)	\$	3,798,300	0.9%
Total Community Benefits		\$	62,940,408	14.8%
Total Net Patient Revenue		\$	425,000,363	

Blessing Health System has been carefully calculating the financial impact of QMG's CON application. One big component of this is the revenue which Blessing Hospital will lose. This revenue loss comes from 4 areas GI, Outpatient ASTC, Outpatient at 11th and Cath Lab. Blessing is able to identify the actual patients that had services at these locations, which were performed by Quincy Medical Group surgeons. Our assumption is Quincy Medical Group will take all of the services performed by its surgeons to its new ambulatory surgery center.

Based on the criteria above, Blessing can accurately tally up the total payments received for these services. Via our cost accounting system, the direct cost to provide these services can also accurately be calculated. So, the sum of total payments less direct cost equals \$41,231,361.

Service Area	Total Payments	Total Direct Costs	Revenue Loss
GI	\$ 30,812,328	\$ 14,506,637	\$ 16,305,691
Outpatient ASTC	\$ 20,629,161	\$ 9,273,542	\$ 11,355,620
Outpatient at 11th	\$ 10,600,587	\$ 2,395,777	\$ 8,204,810
Cath Lab	\$ 8,616,774	3251533.4	\$ 5,365,241
Total	\$ 70,658,850	\$ 29,427,489	\$ 41,231,361

Blessing originally stated a range of revenue loss between \$25 and \$41M. The high-end of \$41M was calculated if QMG planned to siphon off surgery business from Blessing's 11th Street outpatient surgery location. Blessing has confirmed that QMG plans to go after these services. Therefore, the confirmed total impact to Blessing Hospital is \$41M.

This loss of revenue would have multiple impacts to Blessing. One material impact would be a loss of jobs, which is conservatively estimated to be at least 400 jobs. In order to reduce 400 FTEs, services provided to the community will have to be reduced.

Behavioral Services alone provides more than 100 jobs to the community. With an annual subsidy of approximately \$6,000,000 per year, Blessing Hospital will need determine whether this is a sustainable service that can provided to the community. Blessing has provided Behavioral Health to the community for decades. With the shift to outpatient surgeries (which QMG plans to poach from Blessing), declining reimbursements, and growth in the need for behavioral health services, Blessing Hospital will be forced to evaluate its ability to provide these service if QMG is approved for it CON for an ambulatory surgery center.

**List of Safety Net Services and
Community Benefits Provided by Blessing Hospital**

- Blessing Hospital provided over \$6 million in Charity Care at cost during Fiscal Year Ended 9/30/2017.
- Blessing Hospital provided support in the amount of \$6.9 million for the education of health professionals including the Southern Illinois University residency program, Blessing-Rieman College of Nursing, Radiology School, and a medical laboratory training program.
 - Approximately 60% of all nurse graduates remain in the local area and several SIU Family Medicine graduates have remained in the community.
- Blessing funds over \$500,000 in EMS training annually.
- In total, Blessing Hospital provided nearly \$67 million in Community Benefit during Fiscal 2017 which represented 17.8% of total revenues.
- Blessing Hospital funds over \$700,000 in losses for Medicaid patients in its ASTC on an annual basis.
- The Blessing Hospital Emergency Room provides Trauma Services for the region up to 75 miles out in some directions with smaller hospitals transferring their trauma cases to Blessing. Blessing not only provides the 24/7/365 Emergency Room physical plant and Emergency department Physicians, but also hires the trauma surgeons which is a critical safety net service as well.
 - In 2018, Blessing treated 32,263 patients of whom 13,755 were admitted to the hospital.
- The Blessing ED has achieved Stroke Certification, functions as a stemi-receiving center to ensure residents are receiving quality care as close to home as possible.
- Blessing provides inpatient mental health adult and adolescent units. In 2018, Blessing had 84% occupancy with no bed availability on many occasions.
- Blessing's Emergency Department sees many mental health patients. Blessing has created a safe holding area for mental health patients staffed by mental health professionals for when patients are waiting for beds to open either in our facility or somewhere else in the state.
- Blessing meets EMTALA requirements so that no ER patient goes without care.
- The Blessing Emergency Department holds a qualifying sexual assault survivor's emergency treatment plan status with IDPH which serves both adult and pediatric patients who arrive at the ED after being sexually assaulted. Blessing has seven

trained SANE nurses.

- Blessing's has employed six full time and two part time psychiatrists' staff to support the mental health needs of the region. The regional mental health centers are served by these psychiatrists through contract arrangements as none of the centers could sustain a full time psychiatrist on their own.
- Chuck Johnson, Blessing staff member is Chairman of Mental Health Authority Education Committee which works with community agencies to coordinate 5 major mental health workshops, Blessing donates the use of Blessing Conference Center to host these workshops, Blessing Health Education department coordinates the workshops and is able to provide CMEs for participants, Blessing Public Relations puts together workshop registration brochures. The workshops are provided at no cost to 8 mental health centers. The Mental Health Authority has agreed to a pilot with area school counselors and social workers who can apply for an educational grant to attend the MHA workshops.
- Blessing works with the Adams County Suicide Prevention Coalition who works with community agencies, schools and community individuals to promote suicide prevention in Adams County. The Coalition has created a web site acsuicideprevention.org, raised \$40,000 through local fashion show, obtained grant through DOT Food and funding from Hy-Vee Celebrity Pour; works with local media consultant have 2 general PSA and specific PSA focusing on the holidays, senior citizens, youth and farmers; letters to the editor, letter to clergy/churches, community speaker training to ER staff, clergy and physicians.
- Adams County Mental Health Children's Partnership were one of four sites approved in Illinois for funding mental health services to children, set up mental health screening in public school, Blessing Hospital, Blessing Physician Services, QMG, and SIU Family Practice with therapists in pediatrician offices. CME training was provided for physician and mental health counselors, coordination and training with churches, etc. Recognized as a model program and is in the process of being taken out to other Illinois communities.
- Provides Teen Depression and Suicide programs to health classes at area high school, 14 per year at QHS, 4-6 at QND and 4-6 at Palmyra High School
- Provide outreach visits to mental health centers, hospital and schools in the tri state area provide training materials, best evidence practices and on-site training session. Have flash drives that are provided at no charge with training resource materials.
- Staff member serves on the Preferred Family Health Care Community Advisory Board.
- Staff members serves on the United Way Community Health Solutions Team.

- Staff member is Chairman of Woodland Home which provides shelter and funding to QUANADA, Quincy Area Network against Domestic Abuse.
- Blessing Hospital, Transitions of Western Illinois, Area Agency on Aging and Preferred Family participated with the Illinois State Police in a week long CIT (Crisis Intervention Training Program) for officers from Adams County Sheriff, Quincy Police and Illinois State Police.
- Blessing views training future health care providers as part of its mission. The organization is in the rural part of Illinois and there is a limited supply of new caregivers. Blessing's commitment to education has been critical to meet the health care needs of the region. Blessing offers the following programs:
 1. SIU School of Medicine Family Practice Residency
 2. Blessing-Rieman College of Nursing and Health Sciences (both BSN/MSN)
 3. John Wood Community College (ADN)
 4. Culver-Stockton College (BSN)
 5. Quincy University (BSN)
 6. School of Radiology
 7. Emergency Medical Services-train area paramedic staff
 8. Pharmacy Tech program
 9. Respiratory Therapy program
 10. Surgical Tech program
 11. Preceptors
 12. Lab technician program
 13. Health Information Management degree

SUMMARY OF LEASE TERMS

- A. BUILDING:** Part of Lot 3 of Quincy Mall Subdivision
3347 Quincy Mall
Quincy, IL 62301
- B. LANDLORD AND ADDRESS:** QUINCY-CULLINAN, LLC
c/o Cullinan Companies L.L.C.
420 North Main Street
East Peoria, IL 61611
- C. LANDLORD'S MANAGEMENT
AGENT & ADDRESS:** Cullinan Properties, Ltd.
420 North Main Street
East Peoria, IL 61611
- D. TENANT & CURRENT ADDRESS:** QUINCY MEDICAL GROUP, AN
ILLINOIS CORPORATION
1025 Maine Street
Quincy, Illinois 62301
- E. GUARANTOR(S) & CURRENT
ADDRESS(ES):** N/A
- F. RENTABLE AREA OF THE
PREMISES:** 69,971 Square Feet +/- (consisting of
36,615 square feet on the first floor and
33,356 square feet on the second floor)
subject to adjustment upon completion
of Fit Out.
- G. LOCATION OF THE PREMISES:** See Exhibit "A"
- H. TENANT'S PROPORTIONATE
SHARE OF REAL ESTATE TAXES** Tenant's proportionate share of the
Building

00843735

00847786
00844534
00875512

00847786
00844534
1

- | | |
|---|--|
| I. TENANT'S PROPORTIONATE SHARE OF COMMON AREA MAINTENANCE | Lesser of Prorata or \$5.00 psf of the Premises, subject to CPI adjustment after Year 1 |
| J. LEASE TERM: | Twenty (20)Years from rent commencement with two (2) ten year options |
| K. COMMENCEMENT DATE OF TERM: | Pursuant to Paragraph 3 |
| L. EXPIRATION DATE OF TERM: | 240th Month, Subject to Options to Extend |
| M. ANNUAL BASE RENT: | \$4.50 psf for the first Lease Year with annual increases and subject to adjustment for Allowance and Fit out |
| N. ADDITIONAL RENT: | Common Area Maintenance, Insurance and Real Estate Taxes, |
| O. SECURITY DEPOSIT: | None |
| P. TENANT'S PERMITTED USES OF PREMISES: | Medical Office and Administration |
| Q. LEASING BROKERS: | Cullinan Properties, Ltd. |

LEASE

1. PARTIES

This "Lease" is made as of February 1, 2019, by and between Quincy-Cullinan, LLC, an Illinois limited liability company (hereinafter called "Landlord"), and Quincy Physicians & Surgeons Clinic, S.C., d/b/a Quincy Medical Group, an Illinois service corporation (hereinafter called "Tenant").

2. PREMISES

In consideration of the mutual covenants and agreements set forth herein, Landlord leases to Tenant and Tenant leases from Landlord, for the rental and on the terms and conditions hereinafter set forth, certain property situated in a building constructed on Lot 3 of Quincy Mall Subdivision ("Lot 3"), which such building has an address of 3347 Quincy Mall (the "Building") and is located at Quincy Mall in Quincy, Illinois (the "Center") containing approximately 36,615 square feet on the first floor (the "First Floor GLA") and 33,356 square feet on the second floor (the "Second Floor GLA") and graphically depicted on the Site Plan attached hereto as Exhibit A and labeled as "Quincy Medical Group" (the "Premises"). For purposes of this Lease, the term "Mall" shall mean the enclosed interior mall, including the Premises, on the Center and the term "Center" shall be mean the property graphically depicted on Exhibit B attached hereto.

The parties acknowledge and agree that, because construction is to take place, the amounts set forth above as the First Floor GLA and Second Floor GLA are approximations. Final square footage for First Floor GLA and for Second Floor GLA shall be determined upon substantial completion of Fit-Out (as hereinafter defined) of each floor based upon actual measurements by Landlord. The Tenant shall have the right to confirm such measurement. For the avoidance of doubt, Tenant may rent less square footage than is contained in either or both of the First Floor GLA and Second Floor GLA and the amount of rent calculated by square foot (described below) shall only be calculated off of the square footage used by Tenant; provided, however that the First Floor GLA shall, in no event, be less than 25,000 square feet and the Second Floor GLA shall, in no event, be less than 20,000 square feet. Upon completion of such measurement and the Tenant's confirmation thereof, the parties shall, within ten (10) days, enter into an addendum specifying and confirming the First Floor GLA and/or the Second Floor GLA, as the case may be.

Tenant shall also have (i) a non-exclusive right of access over those portions of the Center open to the public for access to and from the Premises from and to all public and private roadways within the Center and (ii) a non-exclusive right to use the parking areas on the Center.

Landlord and Tenant acknowledge Tenant has requested a Certificate of Need pursuant to the Illinois Health Facilities Planning Act, for the Second Floor GLA (the "CON"). Notwithstanding the foregoing, in the event Tenant does not receive the CON, Tenant has the right to terminate this

lease as to the Second Floor GLA only, by providing written notice to Landlord on or before the "Second Floor Determination Date." The Second Floor Determination Date is the earlier of the following to occur: (i): ninety (90) days after Tenant receives notice from the Illinois Health Facilities and Services Review Board ("IHFSRB") of its intent to deny the CON, unless Tenant files a revised application or appeal for the CON and provides notice of such filing to Landlord within said ninety (90) days; or (ii) thirty-five (35) days from Tenant's receipt of a final ruling from the IHFSRB denying the CON unless Tenant has filed an appeal of that decision with the Circuit Court (the "Appeal") and provided Landlord with written notice of the Appeal within thirty-five (35) days of said denial; or (iii) March 31, 2020.

In addition, Tenant has the option to lease the entirety or part of the First Floor Expansion Area (as defined below), upon the same terms and conditions herein stated, including those as to Base Rent and Allowance, by providing Landlord with written notice exercising such right to lease on or before May 31, 2019; with occupancy by one (1) year of Tenant exercising its right. In the event Tenant timely exercises its right hereunder granted, the parties shall enter into a lease amendment reflecting the addition to the Premises. The First Floor Expansion Area is the leasable area of the first floor of the Building less the First Floor GLA.

In addition, Tenant has the option to lease the entirety or part of the Second Floor Expansion Area (as defined below), upon the same terms and conditions herein stated, including those as to Base Rent and Allowance, by providing Landlord with written notice exercising such right to lease on or before the Second Floor Determination Date. In the event Tenant timely exercises its right hereunder granted, the parties shall enter into a lease amendment reflecting the addition to the Premises. The Second Floor Expansion Area is the leasable area of the second floor of the Building less the Second Floor GLA.

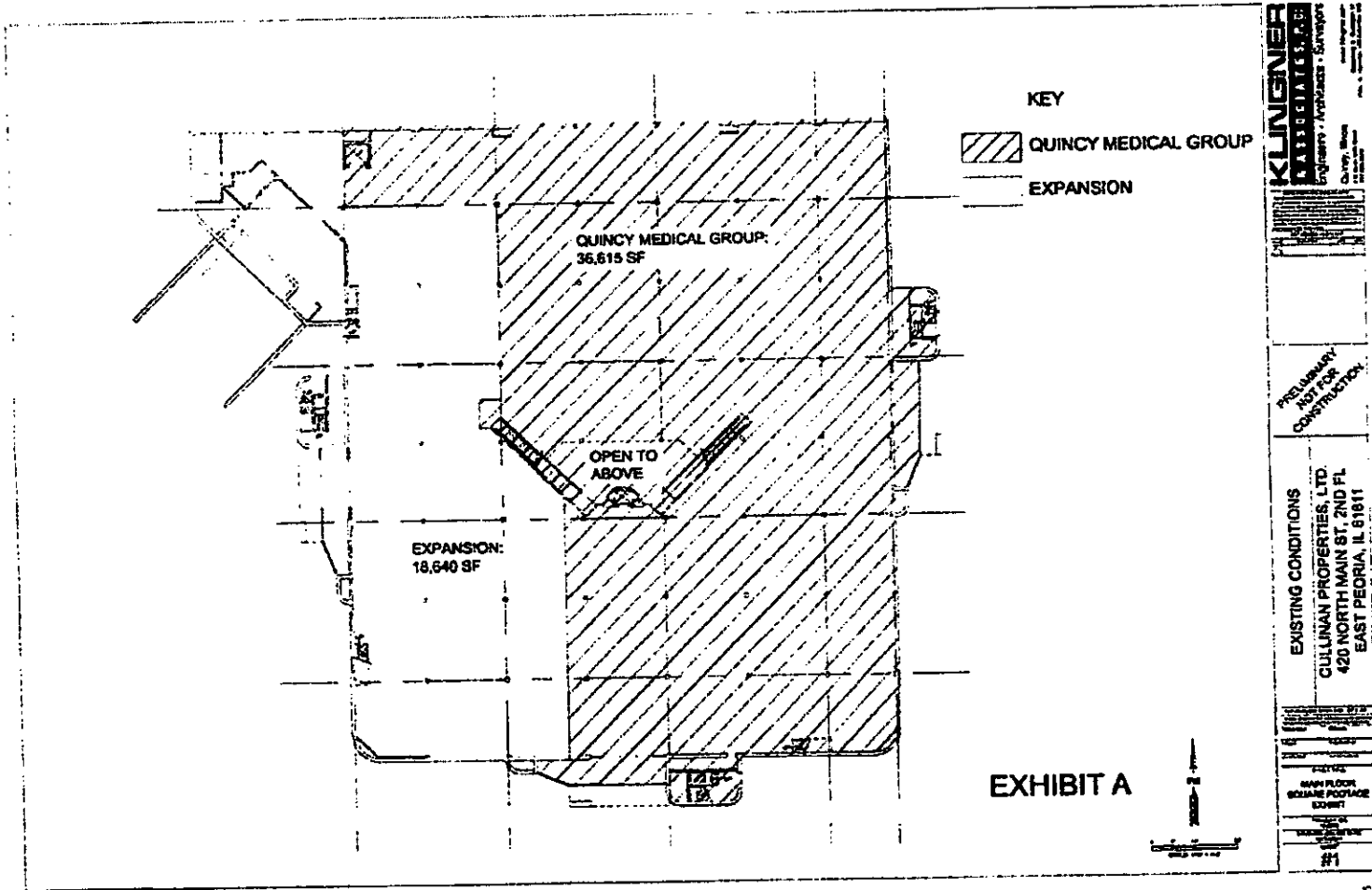
3. TERM

The term of this Lease commences on the "Commencement Date" (hereinafter defined) of the Lease and continues for a period of twenty (20) years from the latter of the First Floor Possession Date or the Second Floor Possession Date as defined in Section 4 hereof (the "Initial Term"); and further continues for any Extension Term properly and timely elected pursuant to this Paragraph. The "Term" of this Lease shall be the Initial Term and any Extension Term hereunder. The "Commencement Date" of this Lease shall be the First Floor Possession Date as defined in Section 4 hereof.

Tenant shall have the right, at its option, to extend the Initial Term of this Lease for two (2) consecutive extension terms ("Extension Terms"), each Extension Term being ten (10) years in length. Each Extension Term (i) must be exercised by Tenant at least two hundred seventy (270) days prior to the last day of the Initial Term or Extension Term being extended, (ii) shall commence on the day after the expiration of the preceding Lease Term, and (iii) shall expire on the tenth (10th) anniversary of the last day of the Initial Term or Extension Term, as the case may be. Failure of Tenant to timely exercise any extension right shall terminate all further extension rights. The terms and conditions of this Lease shall apply to each Extension Term with the same force and

EXHIBIT A-1

Site Plan



KLINGNER
ARCHITECTS, P.C.
Engineers • Architects • Scientists

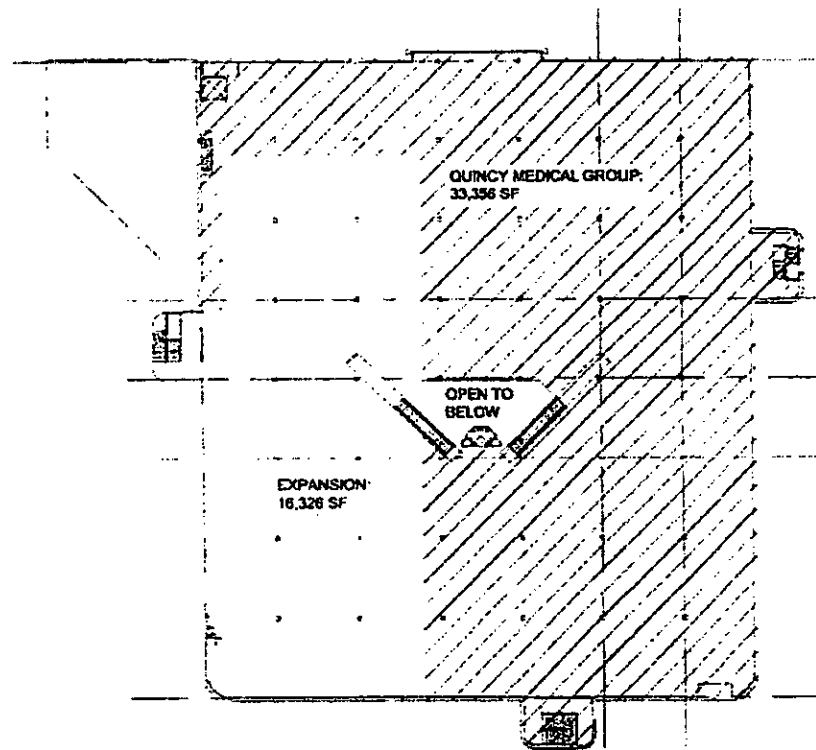
1000 North Dearborn Street
Chicago, Illinois 60610
Tel: 312.329.1234
Fax: 312.329.1235

PRELIMINARY
NOT FOR
CONSTRUCTION

EXISTING CONDITIONS
CULLINAN PROPERTIES, LTD.
420 NORTH MAIN ST, 2ND FL
EAST PEORIA, IL 61611

DATE: 10/1/00
BY: [Signature]
CHECKED: [Signature]
APPROVED: [Signature]

PROJECT: MAIN FLOOR
SQUARE FOOTAGE: 55,255
SHEET: 1 OF 1
#1

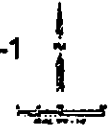


KEY

QUINCY MEDICAL GROUP

EXPANSION

EXHIBIT A-1



KLINGNER
EXHIBITS
Engineers - Architects - Surveyors
Quincy, Illinois
1700 E. Main St.
Quincy, IL 61681

EXISTING CONDITIONS
CULLINAN PROPERTIES, LTD.
420 NORTH MAIN ST., 2ND FL.
EAST PEORIA, IL 61611

PRELIMINARY
NOT FOR
CONSTRUCTION

DATE: 1-1-83
BY: J. C. CULLINAN
CHECKED: J. C. CULLINAN
APPROVED: J. C. CULLINAN

#3

DETERMINATION OF REVIEWABILITY

INSTRUCTIONS

This assessment form is to be used for proposed construction or modification projects and the acquisition of major medical equipment. It is designed to help understand whether a Certificate of Need (CON) Permit or Exemption to Permit is required.

This form is neither mandatory nor a substitute for complying with any Health Facilities and Services Review Board (HFSRB) requirements under the Illinois Health Facilities Planning Act or Rules.

Please observe the following instructions with respect to the completion of this form.

1. This form is divided into the following parts:

- Part I: "Checklist" is a tool designed for potential applicants to check the need for a permit or exemption to permit.
- Part II: "Certification" includes the project and applicant identification. The project identification provides the costs, description and scope of services included in the project. If you are requesting an advisory opinion for a potential project, you must submit the Worksheet of Total Estimated Project Cost that is inclusive of CONSTRUCTION AND ALL OTHER COSTS TO BE CAPITALIZED, inflated through the anticipated project completion date, along with the Certification (Part II).

2. Definitions of terms used in the document are provided in the Appendix.

3. Copies of this form are available electronically upon request.

4. For a staff advisory opinion, Parts I and II (Pages Form 1-5 of the CON assessment form) must be completed, signed and mailed to:

Courtney Avery, Administrator
Illinois Health Facilities and Services Review Board
525 W Jefferson St, 2nd floor
Springfield, IL 62761

5. The form must be signed by the Chief Executive Officer or authorized representative of each applicant entity.

If you have ANY questions concerning ANY of the contents of this form, contact HFSRB staff at (217) 782-3516. If the assessment indicates that a CON Permit or Exemption to Permit is required, HFSRB staff can also be contacted for technical assistance with applicable rules.

Rules for projects or transactions subject to the Act can be obtained from 77 Ill. Adm. Code 1130.310 and 1130.410 at

**CERTIFICATE OF NEED OR EXEMPTION TO PERMIT
ASSESSMENT OF APPLICABILITY**

<http://www.ilga.gov/commission/jcar/admincode/077/077011300C03100R.html> and
<http://www.ilga.gov/commission/jcar/admincode/077/077011300D04100R.html>

DETERMINATION OF REVIEWABILITY

PART I: CHECKLIST

SECTION A:

IS THE PROJECT AUTOMATICALLY REVIEWABLE BECAUSE OF ITS NATURE?

a1. Are you establishing one of the following “health care facilities”? **No**

- 1.1. Hospital
- 1.2. Long-Term Care facility (includes ICF/DD)
- 1.3. ASTC (Ambulatory Surgical Treatment Center)
- 1.4. ESRD (End Stage Renal Disease) Center
- 1.5. FEC (Freestanding Emergency Center)
- 1.6. BC (Birth Center)
- 1.7 An institution, place, building, or room used for the provision of a health care category of service.
- 1.8 An institution, place, building, or room used for the provision of major medical equipment used in the direct clinical diagnosis or treatment of patients whose project costs is in excess of the capital expenditure minimum.

a2. Are you discontinuing (closing) one of the following “health care facilities”?

No

- 1.1. Hospital
- 1.2. ASTC (Ambulatory Surgical Treatment Center)
- 1.3. ESRD (End Stage Renal Disease) Center
- 1.4. FEC (Freestanding Emergency Center)
- 1.5. BC (Birth Center)
- 1.6 An institution, place, building, or room used for the provision of a health care category of service.
- 1.7 An institution, place, building, or room used for the provision of major medical equipment used in the direct clinical diagnosis or treatment of patients whose project costs is in excess of the capital expenditure minimum.

a3. Is your project for the acquisition of “major medical equipment” (as defined on Page APP 7)? **No**

a4. Are you establishing or discontinuing a “category of service” **No**
(as listed on Page APP 1)?

DETERMINATION OF REVIEWABILITY

a5. Are you changing the bed capacity of a health care facility by increasing the total number of beds or by distributing beds among various categories of service or by relocating beds from one physical facility or site to another by more than 20 beds or more than 10% of total bed capacity as defined by the State Board, whichever is less, over a 2 year period [20 ILCS 3960/5]? **No**

a6. Does your project involve a “change of ownership” or “control” of an existing health care facility that is not a long-term care facility (as defined on Pages APP 2 and APP 4 respectively)? **No**

a7. Does your project “substantially change the scope or change the functional operation of a health care facility” (as defined on Page APP 8)? **No**

IF YES TO ANY OF THE QUESTIONS IN SECTION A, IT APPEARS THAT A PERMIT OR EXEMPTION TO PERMIT IS REQUIRED.

IF NO TO ALL THE QUESTIONS IN SECTION A, PROCEED TO SECTION B.

SECTION B:

OTHER CONDITIONS REQUIRING A CERTIFICATE OF NEED OR EXEMPTION TO PERMIT:

b1. Have ALL “components” (as defined on Page APP 3) of the project or transaction been identified? **Yes**

b2. Does the “total estimated project cost” worksheet (Page Form 4) include all the “components” from b1? **Yes**

If the proposed project involves construction or modernization, are there any additional projects that are interdependent architecturally or programmatically where the undertaking of one compels the undertaking of the other? **No**

b3. Does the “total estimated project cost” (line C₁₆) of the worksheet meet or exceed the current “capital expenditure minimum” (as defined on Page APP 1)? **No**

- Hospitals: \$13,171,046
- Long-Term Care: \$7,444,502
- All other applicants: \$3,435,925 Current threshold: \$3,515,982

DETERMINATION OF REVIEWABILITY

IF YES TO b2 AND b3, YOU MAY NEED A CERTIFICATE OF NEED. SUBMIT THE ASSESSMENT FORM TO HFSRB STAFF FOR AN ADVISORY OPINION.

If you have ANY questions while completing ANY of the contents of this form, contact HFSRB staff at (217) 782-3516.

If the Assessment indicates a CON Permit or Exemption to Permit is required, you can contact HFSRB staff for technical assistance with applicable rules.

DETERMINATION OF REVIEWABILITY

SECTION C: WORKSHEET

TOTAL ESTIMATED PROJECT COST

(This must include all "Components" as defined on Page APP 3)

If there is no cost in any of the lines below, please enter 0 (zero). Costs should be through date of completion of the project.

USE OF FUNDS	AMOUNT
C ₁ - Preplanning Costs	
C ₂ - Site Survey and Soil Investigation	
C ₃ - Site Preparation	
C ₄ - Off Site Work	
C ₅ - New Construction Contracts	700,000
C ₆ - Modernization Contracts	
C ₇ - Contingencies	70,000
C ₈ - Architectural/Engineering Fees	2,475
C ₉ - Consulting and Other Fees	3,000
C ₁₀ - Movable or Other Equipment (not in construction contracts)	1,699,675
C ₁₁ - Bond Issuance Expense (project related)	
C ₁₂ - Net Interest Expense During Construction (project related)	
C ₁₃ - Fair Market Value of Leased Space or Equipment	917,798
C ₁₄ - Acquisition of Building or Other Property (excluding land)	
C ₁₅ - All other project related costs to be capitalized	1,700
C ₁₆ - TOTAL ESTIMATED PROJECT COST	3,394,648

DETERMINATION OF REVIEWABILITY

PART II: CERTIFICATION

DATE: JANUARY 29, 2019

PROJECT IDENTIFICATION

-Name of the Project: Radiation Oncology service

-Total Estimated Project Cost: \$3,394,648

-Project Description: [Includes Type of service(s) and scope of work]
Quincy Medical Group has submitted a permit application for the establishment of an ASTC and cardiac catheterization service at 3347 Broad Street, Quincy, IL. In a different location in the building, QMG will renovate space to house a radiation oncology program, including the lease of a linear accelerator. The radiation oncology program is not dependent upon the ASTC, nor is the ASTC dependent on the radiation oncology program. IDPH's Design Standards does not consider the rad onc service as part of the ASTC and stated it will not review the rad onc space. The total cost of the radiation oncology space is below the capital expenditure threshold of \$3,515,648.

-Location: 3347 Broadway Street

-Street Address

-City Quincy, IL County Adams Zip 62301

APPLICANT IDENTIFICATION

-Name of the person completing this Assessment: Ralph Weber

-Title CON consultant, Weber Alliance

-Street Address 920 Hoffman Lane

-City Riverwoods, IL County Lake Zip 60015

-Email Address: rmweber90@gmail.com Telephone: 847-791-0830

I HEREBY CERTIFY THAT I HAVE THOROUGHLY REVIEWED THE SUBMITTED INFORMATION, AND THAT THE ATTACHED INFORMATION IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.



Signature

January 31, 2019

Date

Title Chief Executive Officer

Street Address Quincy Medical Group, 1025 Maine Street

City Quincy County Adams Zip 62301

Email Address: cbrockmiller@quincymedgroup.com Telephone: 217-222-6550

To receive a staff advisory opinion, Pages Form 1-5 must be completed, signed and submitted to Illinois Health Facilities and Services Review Board, 525 W Jefferson St, 2nd floor, Springfield, IL, 62761. Additional comments may be attached with this document.

February 12, 2019

By Personal Delivery
Carol Brockmiller, Chief Executive Officer
Quincy Medical Group
1025 Maine Street
Quincy, Illinois 62301

Re: Request for Transfer Agreement, Project #18-042, Quincy Medical Group Surgery Center

Dear Ms. Brockmiller:

I am in receipt of your letter dated February 1, 2019, which contains a mischaracterization of our prior oral conversations relating to the request of Quincy Medical Group ("QMG") for a transfer agreement with Blessing Hospital. To be clear, in those discussions Blessing Hospital had both clinical and legal concerns relating to the proposed transfer agreement. The legal and clinical issues must be satisfactorily addressed.

I understand you are under direction from your legal counsel to create a "paper record" for use with the Illinois Health Facilities and Services Review Board ("Review Board") in connection with the Review Board's requirement for a transfer agreement on your Project #18-042, Quincy Medical Group Surgery Center. Significant creative liberties with the truth have been taken in the creation of that "paper record." This is presumably the same legal counsel that had you certify under oath to the false statements in QMG's Certificate of Need ("CON") application that "QMG proposed a joint venture arrangement" to Blessing Hospital and that the "proposal was rejected," (CON Application at page 68) and which you properly retracted after we brought them to your attention. These same attorneys presumably also had you certify under oath that "UnityPoint Health will have approximately 40% ownership interest in Quincy Medical Group Surgery Center" (CON Application at page 38), and then proceeded before a packed room, that included officers of the Review Board, when your CON attorney Tracy Klein expressly denied UnityPoint's interest in the proposed facility "despite what might be in the application." Public Hearing Transcript, page 171.

For the above reasons, I must now insist that any future communications between you and me that are in any way connected to QMG's CON application be conducted in writing or before reliable witnesses. Blessing Hospital and QMG have long had a better relationship and historically enjoyed more trustworthiness in our communications, so I can only assume that the above aberrations are attributable to the legal advice you are now receiving in connection with QMG's CON application.

As for the transfer agreement, I have previously told you that there were several legal and clinical issues that were being reviewed on our side. I also shared with you that I was unclear as to how Blessing Hospital could give QMG's proposed ambulatory surgical treatment center ("ASTC") a transfer agreement as the entity did not currently exist, had no operating catheterization service or licensed services, and it was not clear as to how the ASTC would be operated, what safety measures would be undertaken, how anesthesia would be delivered to the patients and by whom. This information is not in your application.

Carol Brockmiller, Chief Executive Officer
Quincy Medical Group
February 12, 2019
Page Two

In addition, it has now come to our attention that what QMG is proposing has never been approved before in the State of Illinois, that is, a remote cardiac catheterization service that is not on or adjacent to a hospital campus with acute cardiac services. Such a remote cardiac catheterization service has never before been proposed or approved in Illinois. In fact, the only cardiac catheterization facility not in a hospital (Prairie Diagnostic Center at St. John's Hospital in Springfield) was permanently discontinued last year. Blessing Hospital has very legitimate concerns of patient safety and clinical issues regarding a remote cardiac catheterization service in Illinois of the type currently being proposed by QMG. These concerns are exacerbated by the fact that QMG did not fully and adequately address the CON Board's regulations regarding the establishment of a new cardiac catheterization service. Among other things, QMG's permit application: (a) does not contain a detailed mechanism for adequate peer review of the program; (b) provides no information regarding how peer review information will be recorded, maintained and stored; (c) does not explain how the technical aspects of providing cardiac catheterization services will be evaluated (e.g., film processing, equipment maintenance, etc.); (d) does not detail the metrics, best practices and various registries that will be implemented; (e) does not identify any on-site support services or explain how each of the support services will be available when needed; and (f) fails to identify the required personnel, with appropriate credentials, for the cardiac catheterization laboratory team, among other things. I would request that you provide me with additional information relative to the ASTC operations, accreditations, certifications, safety measures, anesthesia, as well as catheterization lab information and accreditations and/or certifications.

You asked me in your February 1st letter that "Blessing revisit its stated mission and take into consideration the needs and wants of its patients and residents of the Quincy area," then in the same paragraph (and again in a manner that is uncharacteristic of our two organizations' long and positive relationship) accuse Blessing of a desire to "monopolize the market." My concern for the safety of cardiac patients in a remote cardiac catheterization lab is fully consistent with the Blessing Hospital mission to improve the health of our communities. As for the allegation of a desire to monopolize the market, the drafter of your letter appears to have been unaware that Blessing Hospital did not oppose QMG's original application for a surgery center in 2000, and it was QMG who later sold that facility to Blessing Hospital to "raise funds" as stated on page 67 of the CON application.

Finally, you mentioned to me in the past week that QMG had a "deadline" of February 6th to produce a transfer agreement. If that was the case, you certainly should not have waited until January 9, 2019, to first ask Blessing Hospital for a transfer agreement. Moreover, QMG's CON application was filed in October 2018, and a transfer agreement was required to be submitted with that application. I note that page 91 of the application stated, in October 2018, that QMG "is pursuing the required referral agreement with an area provider of cardiac surgery for the transfer of seriously ill patients" and the "final agreement will be submitted during the review process." Of course, this was not true as QMG did not propose a transfer agreement to Blessing Hospital until I received your email dated January 9, 2019 with QMG's proposed transfer agreement. The above statements in the permit application are yet additional misrepresentations that I can only presume your legal counsel had you certify under oath as "complete and correct" to the Review Board notwithstanding the absence of any basis in truth or fact, and again inconsistent with the conduct I would have expected from QMG based upon our mutual dealings prior to the filing of QMG's permit application.

Sincerely,

Maureen A. Kahn, President & CEO
Blessing Hospital

INVENTORY OF HEALTH CARE FACILITIES AND SERVICES AND NEED DETERMINATIONS

Illinois Health Facilities and Services Review Board Illinois
Department of Public Health

9/1/2017
Page A- 39

MEDICAL-SURGICAL and PEDIATRIC Categories of Service

Hospital Planning Area: E-05

Hospital Planning Area: E-05		2015	2015						
Hospital	City	Beds	Admissions	Patient Days					
CATEGORY OF SERVICE: Medical-Surgical									
Blessing Hospital at 11th Street	Quincy	158	7,921	38,649					
Memorial Hospital	Carthage	15	373	1,134					
Medical-Surgical TOTAL		173	8,294	39,783					
CATEGORY OF SERVICE: Pediatrics									
Blessing Hospital at 11th Street	Quincy	20	216	1,292					
Pediatrics TOTAL		20	216	1,292					
Medical-Surgical/Pediatrics Planning Area Totals		193	8,510	41,075					
Patient Days by Age	2013	2014	2015	TOTAL	3 Year Average	2015 Population	Use Rates	2020 Population	Projected Days
0-14 Years Old	1,046	1,861	1,473	4,380	1,460	15,910	0.0918	15,870	1,456
15-44 Years Old	4,288	4,318	3,358	11,964	3,988	32,190	0.1239	31,760	3,935
45-64 Years Old	11,085	10,986	10,853	32,924	10,975	25,560	0.4294	22,950	9,854
65-74 Years Old	8,365	8,609	9,046	26,020	8,673	9,620	0.9016	10,480	9,449
75-up Years Old	17,015	17,063	16,345	50,423	16,808	8,260	2.0348	8,240	16,767
Out-Migration	In-Migration	Net Migration	Average Length of Stay	Migration Days	Adjustment Factor	Adjustment	Total Projected Days	Adjusted Days	
659	1,220	-561	4.842	-2,716	0.50	-1.358	41,461	40,103	
Adjusted Days	Days in Year 2020	Adjusted Average Daily Census	Occupancy Target*	Adjusted Beds Needed	Existing Beds	Excess Beds			
40,103	366	110	0.85	129	193	64			

* If ADC less than 100 in Planning Area, Occupancy Target is 80%; if the Planning Area has ADC of 100-199, the Occupancy Target is 85%; if ADC is 200 or more, 90%.